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# ***Daily Report***

## **East Asia**

FBIS-EAS-96-121

Friday

21 June 1996

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# Daily Report

## East Asia

FBIS-EAS-96-121

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NOTICE: An \* indicates material not disseminated in electronic form.

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## Japan

### Japan: Tokyo, Washington To Discuss PRC, Russia Before Summit

OW2106083196 Tokyo KYODO in English  
0749 GMT 21 Jun 96

[By Yoichi Kosukegawa]

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Prime Minister Ryutaro Hashimoto and U.S. President Bill Clinton will meet in Lyons, France, on Thursday [27 June] to discuss relations with China, the Russia situation and other issues, Foreign Ministry officials said Friday.

Their talks will be held just before the Group of Seven (G-7) major industrialized countries kick off a three-day annual economic summit in the central French city with a working dinner, the officials said.

The members of the G-7 are Britain, Canada, France, Germany and Italy, in addition to Japan and the United States.

The ministry officials said that prior to the meeting with Clinton, Hashimoto will also hold separate talks Thursday with French President Jacques Chirac, British Prime Minister John Major and Jacques Santer, president of the European Commission, the executive body of the European Union.

Foreign Minister Yukihiko Ikeda, who will travel with Hashimoto, will meet with U.S. Secretary of State Warren Christopher on Thursday morning and British Foreign Secretary Malcolm Rifkind on June 28, they said.

The ministry officials said one of the major themes at the Hashimoto-Clinton talks will be how the two countries should cooperate to help integrate China into the international community.

Political sources said Hashimoto is expected to show support for China's bid to join the World Trade Organization (WTO), which replaced the General Agreement on Tariffs and Trade (GATT) in January 1995 as the new world trade watchdog.

The U.S., which recently settled a copyright piracy dispute with Beijing, might ease its stance on the issue of Chinese entry into the WTO, the sources said.

The ministry officials said Hashimoto and Clinton are also likely to discuss the presidential election in Russia, the situation on the Korean peninsula and the peace process in Middle East.

On the Korean peninsula situation, the two leaders are expected to exchange views based on the results of talks

Saturday and Sunday between Hashimoto and South Korean President Kim Yong-sam, they said.

On bilateral relations, Hashimoto and Clinton are expected to reaffirm the promotion of security cooperation under their April accord, the ministry officials said.

The accord calls for reviewing guidelines for defense cooperation between the two countries and making a progress report by this fall.

Hashimoto and Clinton are expected to confirm progress so far in the review work and reaffirm that they will promote further cooperation for the implementation of the accord, the officials said.

On the economic issues, the two leaders are likely to exchange views on the four disputed areas of insurance, semiconductors, passenger aviation and photo film, they said.

However, it is unlikely that Hashimoto and Clinton will hold heated discussions on these areas, the officials added.

At the Hashimoto-Chirac talks, meanwhile, the two leaders are expected to set the specific date of the French president's visit to Japan scheduled for this fall and coordinate views before the G-7 annual summit, the ministry officials said.

Hashimoto and Major are also likely to exchange views on the international situation ahead of the Lyons summit, the officials said.

Discussions at the Hashimoto-Santer meeting, meanwhile, are expected to focus on efforts toward the successful conclusion of the first ministerial meeting of the WTO in Singapore in December as well as cooperation in the Asia-Europe Meeting (ASEM), which was inaugurated in March to boost links between Asia and Europe in the political, economic and other fields, they said.

The officials left open the possibility that Hashimoto and Santer will exchange views on the Japan-U.S. dispute over whether to extend their semiconductor accord that expires at the end of July.

### Japan: Hashimoto on G-7 Support for PRC's WTO Entry

OW2106112996 Tokyo KYODO in English  
1058 GMT 21 Jun 96

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Prime Minister Ryutaro Hashimoto said Friday [21 June] it will not be an easy task to get support from the Group of Seven (G-7) industrialized countries for

China's bid to enter the World Trade Organization (WTO).

"It will not be so easy," Hashimoto told reporters, adding that various other factors will affect the issue, such as the decades-long U.S. sanctions against Cuba. He did not elaborate.

Hashimoto plans to call on the G-7 summit in Lyons, France, on June 27-29 to support China's WTO entry bid to back up Beijing's economic reform and "open-door" policy.

The first WTO ministerial meeting in December in Singapore is expected to discuss the Chinese bid.

The G-7 groups Britain, Canada, France, Germany, Italy, Japan and the United States.

#### **Japan: Official: G-7 Support for Korea Talks 'Difficult'**

*OW2006150196 Tokyo KYODO in English  
1341 GMT 20 Jun 96*

[By Yoichi Kosukegawa]

[FBIS Transcribed Text] Tokyo, June 20 KYODO — It will be difficult for the Group of Seven (G-7) major industrialized nations to throw unified support behind U.S.-proposed talks on reducing tensions on the Korean peninsula, a senior Foreign Ministry official said Thursday [20 June].

"Japan supports the proposal... [ellipses as received] but G-7 nations differ on the issue," Shunji Yanai, deputy foreign minister for political affairs, told reporters. The G-7 leaders are scheduled to meet in Lyons, France, on June 27-29.

There has been no favorable reply from North Korea, and Russia does not appear to be enthusiastic about the talks, he said.

At the Lyons summit, however, Prime Minister Ryutaro Hashimoto will stress the importance of promoting dialogue between South and North Korea, Yanai said.

In April, U.S. President Bill Clinton and South Korean President Kim Yong-sam proposed talks between the two Koreas with the U.S. and China acting as mediators. But Pyongyang has indicated it will talk with Washington.

Yanai said Hashimoto is also expected to urge other G-7 partners to strengthen support for the Korean Peninsula Energy Organization (KEDO).

KEDO is to provide North Korea with light-water nuclear reactors.

#### **Japan: Kajiyama on Need To Explain Tax Hike to G-7**

*OW2106100096 Tokyo KYODO in English  
0932 GMT 21 Jun 96*

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Japan must explain its planned hike of the 3 percent consumption tax to 5 percent at the upcoming Group of Seven (G-7) summit in Lyons, France, Chief Cabinet Secretary Seiroku Kajiyama said Friday [21 June].

While admitting that there is some fear that the tax hike could have a negative impact on Japanese consumer spending and that G-7 partners will ask Tokyo for pump-priming measures, the top government spokesman asserted the tax hike is essential.

"The reality of the Japanese economy is not rosy," Kajiyama said, noting that state finances heavily depend on bond issuance and pointing to the mounting bad loans at financial institutions.

Under the 75.1 trillion yen budget for the current fiscal year, the government is to issue 21 trillion yen worth of government bonds, including 12 trillion yen in deficit-covering bonds.

Prime Minister Ryutaro Hashimoto told a press conference Thursday that the government will decide on the tax revision before the June 27-29 summit, referring to endorsement at a cabinet meeting next Tuesday.

Hashimoto will also brief the summit on a recently approved government scheme to liquidate seven failed "jusen" housing loan companies, the spokesman said.

#### **Japan: Kubo Rejects U.S. Call for More Economic Growth Measures**

*OW2106045996 Tokyo KYODO in English  
0417 GMT 21 Jun 96*

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Finance Minister Wataru Kubo on Friday [21 June] rejected a U.S. call for further fiscal and monetary measures to ensure economic growth led by domestic demand, saying now is not the time to take such steps.

Kubo said at a press conference, "we know of the call by the United States but have already told them we cannot draw conclusions (about the economy) without monitoring developments up until the beginning of this fall."

On Thursday in Washington, U.S. Treasury Secretary Robert Rubin urged Japan to prepare for further fiscal and monetary stimulus actions that are necessary for continued growth led by domestic demand, not led by trade surpluses.

Kubo said opinions are divided over whether the economic recovery will rapidly deteriorate without support by public investment, although the nation's real gross domestic product in the first quarter posted its highest growth in 23 years.

Kubo stressed the severity of Japan's fiscal condition, saying, "I'm wondering whether the economic recovery should have priority over fiscal consolidation."

"Japan will make a decision (on steps to take) this fall, taking into account both the economic and fiscal situation," Kubo said.

Commenting on deadlocked bilateral insurance talks with the United States, Kubo said that there has been no progress yet in working-level sessions since he met U.S. Ambassador to Japan Walter Mondale last week.

"I will meet him if the situation allows Japan to come to a decision, but that has not been the case," Kubo said, adding that there is still no schedule for another meeting with Mondale before the summit meeting of the Group of Seven industrial nations set to start next Thursday in Lyon, France.

Remaining at odds over "third-sector" insurance, such as sickness and nursing insurance, areas in which foreign companies are considered to be strong, the two countries failed to reach an accord on the insurance issue by the originally targeted date of June 1.

Turning to the planned consumption tax hike to 5 percent from the current 3 percent starting next April, Kubo said the government must report to the cabinet as early as possible about final decisions by the tax commission and the ruling coalition's tax reform project team.

The tax commission, an advisory body to the prime minister, is set to make a final judgment on the tax hike later in the day, while the project team endorsed the tax hike to 5 percent Thursday.

Meanwhile, Kubo said the fiscal system council, an advisory panel to the finance minister, will map out a report by around mid-July on the nation's current fiscal situation and associated problems as a base of discussion on structural reform of Japan's financial system.

Kubo suggested that the report will serve as guidelines for budgetary requests to be made by government ministries and agencies for the fiscal 1997 national budget.

#### **Japan: Tokyo 'Flatly' Rejects U.S. Semiconductor Demand**

OW2106063596 Tokyo KYODO in English  
0624 GMT 21 Jun 96

[FBIS Transcribed Text] Washington, June 21 KYODO — Japan and the United States remained apart on the first day of their two-day talks at vice-ministerial level on the dispute over the 1991 semiconductor accord which expires July 31, a Japanese vice trade minister said late Thursday [20 June].

"Japan's stance remained unchanged, and the U.S. also stayed the same," Yoshihiro Sakamoto, vice minister for international affairs at Japan's Ministry of International Trade and Industry, told reporters after his first-day talks with Ira Shapiro, senior counsel and negotiator at the office of the U.S. trade representative.

Sakamoto said he reiterated the Japanese view that the accord has already achieved its purpose, since foreign microchips now hold 30 percent of the Japanese market, more than the 20 percent originally targeted by the U.S.

The Japanese side flatly rejected the U.S. demand that the two governments should continue to regularly collect data to monitor foreign market share and watch out for dumping practices.

Shapiro continued to call for a new, one-time "transitional" agreement to phase out the government role in exchanging industry-level cooperation, Sakamoto said.

But the Tokyo side supported the Japanese microchip industry's proposal for a "transitional" arrangement with the U.S. industry to phase out even an industry-level role and to return to "normal" competitive business relations, Sakamoto said.

Against this backdrop, the Japanese vice minister said the first day was devoted to countering U.S. arguments in calling for the accord's renewal.

Sakamoto said that on the second day of the talks, he will explain a Japanese proposal that a framework should be created without a formal treaty to allow government-level consultations between not only the U.S. and Japan, but also a third nation, to discuss problems as they arise.

Shapiro is expected to offer his response to the Japanese position, Sakamoto said, adding that, although Washington has promised to drop numerical targets, the U.S. side is apparently aiming to establish a minimum limit for foreign market share by seeking to "preserve and continue" the improvement made under the current semiconductor agreement.

Sakamoto said he believes the limit will be the current 30 percent share.

**Japan: U.S. 'Disappointed' by Poor Access to Construction Market**

OW2006144796 Tokyo KYODO in English  
1408 GMT 20 Jun 96

[FBIS Transcribed Text] Tokyo, June 20 KYODO — The United States voiced displeasure Thursday [20 June] with the lack of improvement in foreign access to Japanese public works projects at the end of annual talks with Japan to review the openness of its construction market.

"We are very disappointed at the results that we are seeing," Marjory Searing, deputy assistant secretary at the U.S. Department of Commerce, said at a press briefing after the talks.

The two countries also failed to resolve their dispute over foreign participation in construction projects for the Chubu International Airport planned near Nagoya.

At the review session, Japan's Construction Ministry showed that of 613 construction projects commissioned by the central government and government affiliates in fiscal 1995 which ended March 31, only one went to a foreign company.

The figure was unchanged from the previous year "despite the full implementation" of Japan's 1994 action plan to introduce open and competitive bidding procedures for such projects, Searing said.

She also noted foreign companies won only two of 20 design projects placed by public entities.

Searing blamed the poor results on Japanese companies' reluctance to form joint ventures with foreign firms, the large number of "single tendering" projects that reject joint venture bids, and discriminatory prequalification bidding requirements.

The Japanese Government will consider taking action if Japanese companies are entirely counting out foreign firms in forging joint ventures for public works bidding, Japanese Government officials said.

Searing also complained about "preferential treatment" for Japanese companies employing former government officials in public works bidding.

The Transport Ministry, for instance, has awarded a Japanese consulting company, whose president is a former ministry official, with four contracts for the Chubu Airport project and numerous other deals for other airport projects, she noted.

On U.S. demand for foreign access to the Chubu Airport project, "I do feel we've made some progress and have narrowed the differences in the approach we've taken," Searing said. "But we haven't resolved this (perception gap)."

The Japanese side provided "a great deal of information" about the kinds of procurement the Transport Ministry is envisioning for the airport for this fiscal year, Searing said.

But all these procurements for fiscal 1996, according to the ministry, are going to be below the threshold of 25 million yen set for a 1991 bilateral agreement designed to make major Japanese public projects more accessible to foreign bidders, she noted.

**Japan: MITI Criticizes U.S. Move To Exclude NEC Computers**

OW2106111396 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 21 Jun 96 Morning Edition p 5

[FBIS Translated Text] Referring to possible adoption of a bill by the U.S. House of Representatives to eliminate from the U.S. Government's supercomputer purchase list products made by Japan's NEC, Vice Minister Tsutsumi of the Ministry of International Trade and Industry [MITI] criticized the move at a 20 June press conference, saying: "It seems to some extent to run counter to the rules of the World Trade Organization (WTO), which stipulates equal treatment of products." He then said, "We have conveyed our grave concern," thus disclosing that the ministry has warned the U.S. Government.

**Japan: PRC Criticizes Japan-U.S. Security Reaffirmation**

OW2106020396 Tokyo ASAHI SHIMBUN  
in Japanese 20 Jun 96 Morning Edition p 3

[By Yoshito Horie]

[FBIS Translated Text] Beijing, 19 Jun — Chinese Vice Foreign Minister Tang Jiaxuan criticized the reaffirmation of the Japan-U.S. security treaty during his meeting with an ASAHI SHIMBUN reporter in Beijing on 18 June. He said: "To ensure security by strengthening bilateral military alliance is an outgrowth of the outdated Cold War mentality."

Regarding the international situation after the Cold War, Minister Tang analyzed: 1) the globe is becoming increasingly diverse, and 2) its main trend is toward peace, security, and development even though factors that cause instability and regional disputes exist.

Tang expressed his view on the reaffirmation of the Japan-U.S. security treaty in this context as follows:

"Enhancement of a military alliance runs counter to the international trend and hopes shared by the people. Now that the world is becoming diverse, security must be ensured by efforts of nations concerned but not just one or two countries."

What is noteworthy in Tang's remarks is that he clearly termed the Japan-U.S. security treaty "military alliance" and indicated strong concern over the new roles that Japan and the United States would assume after the reaffirmation. His remarks are also worth notice because they indicate China's inclination toward collective security about which this country has been negative.

**Japan: Okinawa Assembly Votes To Call Referendum on U.S. Bases**

OW2106033096 Tokyo KYODO in English  
0302 GMT 21 Jun 96

[FBIS Transcribed Text] Naha, Japan, June 21 KYODO — The Okinawa Prefectural Assembly Friday [21 June] approved a proposal to call a referendum to ask local residents whether they support a reduction in U.S. bases in the southwestern Japanese island prefecture.

The assembly voted 26 to 17 to endorse the proposal. There are 48 seats on the assembly, except for two vacancies.

The bill for a special ordinance for the referendum was proposed by the Okinawa branch of the Japanese Trade Union Confederation (RENGO), Japan's largest labor organization, following a petition backed by 34,500 signatures for the residential vote.

The ordinance is the first of the kind in a prefecture. In the past, eight municipalities in Japan adopted such ordinances to vote on specific issues.

The referendum is designed to ask the Okinawa people whether they want to consolidate and reduce U.S. military bases in the prefecture and whether they want a review of the U.S.-Japan Status of Forces Agreement, which defines the status of the U.S. military in Japan.

Although the outcome of the referendum is not binding, a dominant majority of votes for a cut in U.S. bases and a review of the agreement would put pressure on Prime Minister Ryutaro Hashimoto for working toward such results.

About 75 percent of all land used by the U.S. military in Japan is concentrated in Okinawa Prefecture, although the island prefecture makes up only 0.6 percent of Japan's total land area.

Under an agreement reached in April between Japan and the United States, the U.S. military will vacate some 20 percent of the land it now occupies in Okinawa.

**Japan: LDP To 'Work Out' Okinawa Development Plan by Fall**

OW2106031596 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 19 June 96 Morning Edition p 2

[FBIS Translated Text] The Liberal Democratic Party [LDP] held the first meeting of the "special research committee on measures to promote the general development of Okinawa Prefecture" (chaired by Secretary General Koichi Kato), which is under the direct control of LDP President (and concurrently Prime Minister) Ryutaro Hashimoto, at party headquarters on 18 June. The committee decided to work out concrete plans by this fall to deal with local issues concerning reorganization and consolidation of U.S. military bases and to take fiscal measures to assist the prefecture. It also decided to have the plans reflect in compilation of the fiscal 1997 draft budget. The LDP committee plans to invite representatives of the Okinawa Prefecture's economic circles to the LDP headquarters on 25 June to hear their opinions and requests. In his speech to the committee's first meeting, Kato indicated that the LDP for its part intends to make the utmost efforts to solve the Okinawa issue. He said: "The Okinawa issue will be the top issue for the Hashimoto cabinet for the next six months to one year. We have to tackle the issue not only through base measures or local development but also in a comprehensive manner."

**Japan Refutes Russian Foreign Minister's Remarks on Territory**

OW2006154196 Tokyo KYODO in English  
1535 GMT 20 Jun 96

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Japan on Thursday [20 June] rebutted Russian Foreign Minister Yevgeniy Primakov's remarks suggesting the bilateral territorial dispute be shelved for resolution in the distant future, Foreign Ministry officials said.

Primakov made the remarks in Moscow on Wednesday, according to Russian press reports. He made a similar comment in January, drawing protests from Tokyo.

If the Russian foreign minister's remarks were in the same spirit as those made in January, Japan cannot accept them because they run counter to the two countries' common goal of resolving the row and concluding a peace treaty, the officials said.

Japan has been demanding the return of four Russian-occupied islands off its northernmost main island of

Hokkaido — Etorofu, Kunashiri, Shikotan and the Habomai group of islets. The former Soviet union seized them in the final days of World War II.

**Japan: Foreign Ministry Spokesman on Hashimoto ROK Visit, Others**

OW2106002196 (Internet) Japanese Ministry of Foreign Affairs WWW in English 18 Jun 96

[News conference by Foreign Ministry Spokesman Hiroshi Hashimoto with unidentified reporters on 18 June; place not given; from the "What's New" link]

**[FBIS Transcribed Text] [Topics of Discussion] I. Introduction to the Press Conference and announcements to the Press**

A. Bilateral relations between the United States of America and the People's Republic of China

B. Presidential election in the Russian Federation II. Possible topics of discussion during the visit to the Republic of Korea by Prime Minister Ryutaro Hashimoto III. Possible topics of discussion at the G-7 Summit in Lyon IV. Purpose of the visit to the Republic of Korea by Prime Minister Ryutaro Hashimoto V. Fundamental position of Japan on the Comfort Women issue VI. Conditions in North Korea and developments in the Korean Peninsula Energy Development Organization (KEDO) VII. Question of Russian Federation participation in G-7 economic meetings VIII. Possibility of participation by the People's Republic of China in the World Trade Organization (WTO) IX. Japan-Republic of Korea relations X. Alleged North Korean possession of four nuclear warheads XI. Possibility of a visit to Latin America by Prime Minister Ryutaro Hashimoto

**I. Introduction to the Press Conference and announcements to the Press**

Foreign Ministry Spokesman Hiroshi Hashimoto: Good afternoon, ladies and gentlemen. Welcome to this regular Ministry of Foreign Affairs Press Conference. I would like to make two announcements.

A. Bilateral relations between the United States of America and the People's Republic of China

Foreign Ministry Spokesman Hiroshi Hashimoto: The Government of Japan welcomes the agreement between the United States of America and the People's Republic of China on the issue of intellectual property rights, and hopes that this effort will enable the two countries to pave the way to further bilateral relations in many other fields.

B. Presidential election in the Russian Federation

Foreign Ministry Spokesman Hiroshi Hashimoto: We understand that the presidential election turnout reached 70 percent and that the election itself was conducted freely and fairly. This is a reflection of the democratization of the Russian Federation. The Government of Japan will closely watch, with deep interest, the second stage of the presidential election which will be fought between President Boris Yeltsin of the Russian Federation and Communist Party candidate Gennady Zyuganov. The Government of Japan strongly hopes that Russia's reform policy will not go backwards, but will continue even after the end of the presidential election in Russia.

Those are the announcements that I wanted to make, and I will be delighted to respond to any questions that you might have.

**II. Possible topics of discussion during the visit to the Republic of Korea by Prime Minister Ryutaro Hashimoto**

Q: Regarding Prime Minister Hashimoto's visit to Korea, I would like to ask about the topics of discussion. Will the Comfort Women issue or the Takeshima issue be discussed at the Summit?

A: Officials are in the process of preparing this visit. Both Prime Minister Ryutaro Hashimoto and President Kim Young Sam of the Republic of Korea intend to talk about three main subjects. One is the bilateral relationship, the second is the situation in Northeast Asia, and the third is international relations. But, details have not been worked out yet. In this connection, we cannot say whether the Comfort Women issue will be taken up by the two leaders. However, we do not deny the possibility of discussions on this issue. But, once again, I would like to say that the agenda of the Summit has not been worked out yet.

Q: Are there any plans for a joint declaration for cooperation in the 21st century, including the World Cup and everything?

A: I am not aware of an issuing of documents at this time.

**III. Possible topics of discussion at the G-7 Summit in Lyon**

Q: The ASAHI SHIMBUN this morning reported that the paper tried to get the Chairman's comment on cooperation on the stability and security in the world for the 21st century. To what degree will North Korea be discussed in this context?

A: When the G-7 Summiteers meet, they will discuss, not only the economic agenda, but also the political

agenda. When they talk about the political agenda, they will exchange views on the regional situation. That was the case at the last Halifax Summit. I think, most probably, the Summiteers will exchange views on the Korean Peninsula — about developments over there. But, apart from that, at this moment, we are not in a position to say what sort of discussion the Summiteers will actually have.

#### **IV. Purpose of the visit to the Republic of Korea by Prime Minister Ryutaro Hashimoto**

**Q:** Why is the Summit being held now, and what does Japan hope to accomplish this weekend?

**A:** The Government of the Republic of Korea has extended invitations to Prime Minister Hashimoto for several months. On the basis of this, Prime Minister has decided that now is the time for him to visit the Republic of Korea. We would like to once again reaffirm the importance of the friendly bilateral relationship between the two countries through talks on the subject which I have already explained.

**Q:** Any idea what went into the Prime Minister's thinking on why he would agree to the invitation now?

**A:** As early as last March, Prime Minister Hashimoto was directly asked by President Kim Young Sam to visit the Republic of Korea. And, when Minister for Foreign Affairs Yukihiko Ikeda met Minister for Foreign Affairs Gong Ro-myung of the Republic of Korea in the Republic of South Africa on 30 April, Prime Minister Hashimoto was again invited. When President Kim Young Sam talked with Prime Minister Hashimoto on the telephone on 1 June, he was once again asked to visit. So, I believe Prime Minister Hashimoto thought that since the Diet Session would be over, and since he is going to the G-7 Summit in Lyon, and can find the time, that he should decide to visit the Republic of Korea.

**Q:** Will the Prime Minister be offering anything new on the Comfort Women issue or on any other issue?

**A:** The important thing for the Japanese side to do is to have the bilateral relationship develop well. Every now and then, we have some difficulties, and, knowing this, Prime Minister Hashimoto would like to, once again, directly talk with President Kim Young Sam, and exchange views on how the two leaders can develop the bilateral relationship.

#### **V. Fundamental position of Japan on the Comfort Women issue**

**Q:** The Prime Minister has been fairly proactive on the Comfort Women issue. Is he going to do anything new on this this weekend?

**A:** As the agenda for the two leaders has not been worked out yet, I would just like to explain the fundamental position of the Government of Japan. The Government of Japan has already expressed its fundamental position on this several times. The issue of the Comfort Women was one where the honor of the women concerned was hurt. And now, fifty years have passed since the end of the second world war, and through the Asian Women's Fund, we hope that the feelings of the Japanese people can be transferred to the women concerned. Although I do not know actually how or whether the Comfort Women matter will be taken up by the two gentlemen at the upcoming Summit, I am sure that Prime Minister Hashimoto will reflect this fundamental policy of the Government of Japan.

**Q:** Do you think this position will be compromised by this large segment of the LDP that is now saying that the Comfort Women issue didn't happen that way?

**A:** Of course, the Liberal Democratic Party (LDP) has a lot of members who voice their opinions very freely sometimes, and to some extent criticize some actual policies, but you may remember that the Government established the Asian Women's Fund, so we can consider that it was supported by the LDP. This is the policy of the coalition parties. So, even if, unofficially maybe, some LDP people may express their private opinions, we consider that the LDP itself supports what the Government has been endeavoring to do through the activities of the Asian Women's Fund.

#### **VI. Conditions in North Korea and developments in the Korean Peninsula Economic Development Organization (KEDO)**

**Q:** What is the fundamental position of Japan on bilateral issues regarding the Northeast Asia situation? Can you explain the fundamental position or analysis of Japan, presently, on the situation in North Korea — the food situation and the political situation?

**A:** If we talk about the governability of Kim Jong Il of North Korea, we basically think that Kim Jong Il controls the government and the army there. Secondly, North Korea still faces enormous economic difficulties. We understand that North Korea suffers from a shortage of food. And, we responded to the appeal issued by the United Nations Department of Humanitarian Assistance (DHA) — the Government of Japan recently

decided to extend emergency aid worth US\$6 million to North Korea. But, we will have to carefully watch what is happening over there in North Korea. If we talk about the Korean Peninsula Energy Development Organization (KEDO), recently another agreement was reached between the parties concerned. We hope that KEDO's activities will be strengthened by this, and in this sense, I would like to very quickly add that the European Union revealed its intention to continuously donate funds to KEDO. We hope that the European Union will formally finalize this. This is what I can say now.

**VII. Question of Russian Federation participation in G-7 economic meetings** Q: There were reports in the Japanese mass media that France considers premature the participation of Boris Yeltsin in G-7 economic meetings. What is the position of the Japanese Government concerning this matter?

A: President Yeltsin is coming to the Lyon Summit, and Prime Minister Hashimoto is very happy to once again meet him at the Summit to exchange views on international political matters and, this time, also, on the so-called global issues, such as the environment. But, if we talk about the economic aspect of the G-7 Summit, I am afraid that Russia's economy has still not been integrated into the world economic system. Therefore, we would like to first of all see President Yeltsin, or the Russian Government, fully committed to economic and political reform, and the democratization of Russia. Secondly, the Japanese side has been helping Russia to prepare for its participation in the World Trade Organization (WTO). Through these steps, we hope that the Russian economy will be more and more integrated into the world economic system.

**VIII. Possibility of participation by the People's Republic of China in the World Trade Organization (WTO)**

Q: At the upcoming G-7 Summit, does Japan plan to urge the other participants to expedite China's entry into the World Trade Organization? Would Japan like to bring that issue up at the upcoming G-7 Summit?

A: I believe the WTO issue will be discussed, first of all, among the Summiteers. For them, the most important objective is to have a very successful Ministerial Meeting in Singapore this year. Secondly, if Prime Minister Hashimoto wishes, he may touch on the subject of China's participation in the WTO. The Government of Japan basically welcomes the participation of China. But, at the same time, we have to ask China to make more concessions in the negotiations on participation.

So, through those steps, we hope that China's participation will be realized in the future.

Q: That sounds a lot like the United States' position at the present time. I wonder if there is any shade of difference between the two countries? I wonder if Japan would perhaps be a bit more eager than the United States to see China's quick entry into the WTO, perhaps in view of this latest trade dispute over copyright infringement?

A: Japan has also been negotiating with China on its participation in the WTO. We are not yet satisfied with the offer which the Chinese side has given to Japan, so we hope that they would take braver steps on this. This is one point. The other point is that Japan welcomes early participation by China in the WTO, but even if we say so, we have to ask them to give us more concessions in the negotiations. Thirdly, we were very much concerned about trade disputes between China and the United States. Now that they have reached an agreement on the copyright issue, we hope that now is the time for them and for us to wind up the negotiations on the participation of China in the WTO.

Q: Would it have been better, for the sake of the global trading system, if instead of the United States threatening China with sanctions, the World Trade Organization had been available as a neutral forum to dissolve the dispute in much the same way that the U.S. and Japan are attempting to resolve the film dispute through the World Trade Organization?

A: Basically, we do not like the United States' unilateral sanctions. We highly appreciate the international dispute mechanism under the WTO. But, now China is not a member, so we must urge China to become a member as soon as possible. But, without making any concessions, China cannot enter the WTO. So, it is true that we would like to have China in the WTO, and settle various disputes through the WTO dispute settlement mechanism.

**IX. Japan-Republic of Korea relations**

Q: How would you describe the basic relationship between the Republic

A: The Republic of Korea and Japan are, first of all, neighbors — very important neighbors. We would like to develop friendly relations with the Republic of Korea, but unfortunately, every now and then, the relationship is influenced by some events. We would like to develop the relationship steadily and gradually, in a better direction, and in this sense, it is very important that the two leaders meet often. Now, Prime Minister Hashimoto says that, in a relaxed atmosphere, he would

like to exchange views with President Kim Young Sam. Through this type of informal atmosphere, both gentlemen can find further room to develop the friendly relationship between the two countries.

Q: So, the Summit this coming weekend will be the birth of a new, friendly, more cooperative relationship, despite the differences that have been evident, certainly, in the last 12 months?

A: That is right. For example, if you take up the issue of World Cup soccer in 2002, we hope that Japan and the Republic of Korea can successfully host the event. We have to prepare ourselves fully for this. There is a possibility that the two gentlemen will discuss this issue, too.

Q: How would you describe the relationship between the two leaders themselves — Prime Minister Hashimoto and President Kim? Do they have a friendly, personal relationship? What is the relationship like?

A: When Prime Minister Hashimoto participated in the Asia-Europe Meeting (ASEM) in Bangkok, the Meeting was a success. This will be the second time for Prime Minister Hashimoto, as Prime Minister, to meet President Kim Young Sam. I believe Prime Minister Hashimoto can further build a good, business-like relationship with President Kim Young Sam. Probably, we cannot solve pending issues very quickly; however, through these steps, we hope that we can further develop the bilateral relationship.

Q: What would you say is the area of greatest disagreement between the two countries?

A: There are several issues on which we have still been talking. The study of past history between the two countries is one issue. Recently, the National Diet of Japan ratified the United Nations Convention on the Law of the Sea, and under the new regime, we have to conclude a new fishing agreement; we have to settle the boundaries of the 200-mile zones. So, we have several issues on which we have not found a solution yet.

Q: Do the two countries have areas of disagreement on how to respond to North Korea?

A: When we engage in talks on normalization of relations with North Korea, we say that we will communicate with the Republic of Korea. We say that the talks should aim at realizing peace and stability on the Korean Peninsula. At the same time, of course, these talks will aim at the normalization of relations between North Korea and Japan. However, I should probably ask you how you locate differences between our policies or attitudes toward China. But, in any case, we understand that the Republic of Korea wants to have direct talks

with North Korea. We fully understand that. Therefore, we sincerely hope that the four-party conference will take place soon, although North Korea has not replied on this.

Q: I think it has been a pretty commonly held perception that Japan has been much more willing and anxious to send humanitarian aid to North Korea. Seoul has been much more reluctant to do that. Japan has perhaps been influenced by that.

A: Japan, in this sense, is a third-party country, while the Republic of Korea has a direct relationship with North Korea. So, we have to understand the Republic of Korea's sensitivity regarding North Korea. We are ready to take their concerns into account. But, at the same time, Japan is an independent country. While we communicate with the Republic of Korea about what we are going to do and about what have been doing vis-à-vis North Korea, it is at the same time natural for us to make independent decisions. But, we sincerely hope that this will not necessarily mean that we will take measures against the will of the Republic of Korea. Together with the United States, we are doing our best to fully inform the Republic of Korea of what we are doing vis-à-vis North Korea.

#### **X. Alleged North Korean possession of four nuclear warheads**

Q: You explained last week that the Government of Japan is investigating reports that North Korea has four nuclear missiles. What have you found?

A: The Government of Japan has been informed by the United States that a North Korean gentleman did not tell of the existence of four warheads. And, the Japanese side does not have any specific information on this issue.

Q: So, is it correct to understand that the Government of Japan believes that North Korea does not have these four nuclear warhead missiles?

A: We are doing our best to let KEDO work fully. Through that process, we hope many matters will become clear. But, specifically talking about information on the four warheads, I am afraid that the Government of Japan has not obtained any specific information.

Q: Did you say that KEDO will also function as an information-gathering forum?

A: Not necessarily. However, this is one way to let North Korea open to the outside world. Step-by-step, we will try to get a clearer picture of the situation in North Korea. KEDO is only one means.

**XI. Possibility of a visit to Latin America by Prime Minister Ryutaro Hashimoto**

**Q:** When will Prime Minister Hashimoto visit Latin America, because I am wondering if this issue has been already decided?

**A:** There has been speculation on Prime Minister Hashimoto's visit after the Summit; however, the Government has not decided about Prime Minister Hashimoto's visits after the Lyon Summit. The Government is now in the process of studying where the Prime Minister will visit, but has not finalized which countries he will visit.

**Q:** How many times have Prime Minister Hashimoto and President Kim met in total?

**A:** As Prime Minister?

**Q:** Overall.

**A:** The Prime Minister and the President met once at ASEM, but personally, I have not obtained information on how many times they have met in the past. Thank you very much.

**Japan: Hashimoto, Ikeda Term Indian CTBT Decision 'Regrettable'**

*OW2106061696 Tokyo KYODO in English  
0601 GMT 21 Jun 96*

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Prime Minister Ryutaro Hashimoto and Foreign Minister Yukihiko Ikeda said Friday [21 June] India's announcement Thursday not to sign the Comprehensive Test Ban Treaty (CTBT) is "regrettable" and called on New Delhi to reconsider the decision.

Hashimoto told reporters, "It is rather unfortunate for India. Other countries will not follow the move and may be all the more given an excuse (to freeze economic assistance)."

Ikeda said in his press conference, "momentum for signing the treaty is increasing in the international community. We hope India reconsiders helping to build an agreement as a whole."

India's new united front government, in its first major foreign policy decision, announced Thursday that it will not sign the CTBT in its present form but will continue to negotiate and not disengage itself from the ongoing talks in Geneva.

"India does not find the treaty in its present form to be truly comprehensive. There are many loopholes and it has not lived up to its goal," Indian Foreign Secretary Salman Haider told a press conference.

India has repeatedly said it will not sign the CTBT unless it includes a timetable for abolishing all nuclear arms and other items demanded by the country.

But the five declared nuclear powers — Britain, China, France, Russia and the United States — have said India's demands are "unrealistic."

**Japan: Fund 'May Compensate' DPRK, PRC, Indonesian 'Sex Slaves'**

*OW2006144696 Tokyo KYODO in English  
1414 GMT 20 Jun 96*

[FBIS Transcribed Text] Tokyo, June 20 KYODO — A government-initiated private fund may compensate North Korean, Chinese and Indonesian women forced into wartime sexual slavery for Japanese troops in addition to the South Korean, Filipino and Taiwanese women already targeted, a government spokesman said Thursday [20 June].

"We should not discontinue the project by only taking this measure if any facts are found (in these countries)," Chief Cabinet Secretary Seiroku Kajiyama told a session of the House of Councillors Audit Committee.

The Asian Women's Fund plans to pay at least 2 million yen each to some 300 surviving former "comfort women" in South Korea, the Philippines and Taiwan beginning this summer, with donations from the Japanese public.

Kajiyama said the government will continue encouraging the fund, but expressed doubts that any measure would satisfy all victims.

Historians estimate up to 200,000 women, mostly from the Korean peninsula which was then under the Japanese colonial rule, were sent to frontline brothels before and during World War II.

**Japan: French President Visit 'Probably' Set for Nov**

*OW2106025496 Tokyo MAINICHI SHIMBUN  
in Japanese 19 Jun 96 Morning Edition p 2*

[FBIS Translated Text] French Foreign Minister Herve De Charette, currently visiting Japan to attend the regular Japan-France foreign ministerial talks, held a news conference at the Japan Press Club at Uchisaiwai-cho in Tokyo on 18 June. Commenting on the timing for French President Jacques Chirac's visit to Japan as a state guest, De Charette said: "It will probably be in November."

Moreover, with regard to the members of the new "Japan-France Dialogue Forum," which will be established, De Charette indicated France's intention that the

namelist will be decided at the Japan-France summit talks to be held at the G-7 summit (Lyon summit), and that the first session will be held this fall.

**Japan: Foreign Minister To Express Support for Bosnian Peace**

OW2006153196 Tokyo KYODO in English  
1509 GMT 20 Jun 96

[FBIS Transcribed Text] Tokyo, June 20 KYODO — Foreign Minister Yukihiko Ikeda will express Japan's support for peace in Bosnia-Herzegovina during his visit to the war-ravaged country in early July, government sources said Thursday (20 June).

He will be the first-ever Japanese cabinet minister to visit Bosnia-Herzegovina. He will proceed to the Former Yugoslav Republic after attending the Group of Seven (G-7) summit in Lyons, France, on June 27-29 and visiting Ukraine on July 1, the sources said.

The journey is scheduled to be approved at Friday's cabinet meeting.

During his stay in Bosnia-Herzegovina on July 2, Ikeda will confer with some key figures concerning Bosnian peace and express Tokyo's cooperation in achieving peace there, the sources said.

Among those Ikeda will meet will be Bosnian Prime Minister Hasan Muratovic and the top official in charge of implementing the civilian aspects of Bosnian peace, Carl Bildt, they said.

He will also make an inspection tour of Sarajevo.

Ikeda will also visit Geneva next Wednesday, a day before the opening of the G-7 summit, for talks with some officials related to ongoing negotiations to conclude a proposed comprehensive test ban treaty, the sources said.

In Ukraine, he will meet President Leonid Kuchma and express Japan's intention to expand its humanitarian aid for the victims of the 1986 nuclear meltdown accident in Chernobyl and its technological assistance for the former Soviet republic's economic reform efforts, the sources said.

Ikeda will also be the first-ever Japanese cabinet minister to visit Ukraine.

**Japan: Ikeda Explains Foreign Policy Plans**

OW2106103596 Tokyo BUNGEI SHUNJU  
in Japanese Jul 96 pp 262-269

[Dialogue between Japanese Foreign Minister Yukihiko Ikeda and Shinichi Kitaoka, Rikkyo University professor, on 23 April 1996: "How Japanese Diplomacy Is

Going To Be Propelled in the Future"; published by Foreign Ministry; place not given]

**[FBIS Translated Text] Now Is the Period When Tasks Can Be Tackled**

[Kitaoka] Only three months have passed since you took office, and you have set records for the number of trips abroad and meetings with important world personalities, have you not?

[Ikeda] That may be true, because there have been so many international conferences.

For example, at an "ASEM" conference of Asian and European nations, I attended meetings at both the foreign minister and summit levels, enabling me to meet important persons from Asia and Europe.

At the Peacemakers' Summit in the Middle East, I met and talked with many foreign leaders by attending meetings in lieu of the prime minister.

[Kitaoka] As I understand it, you think nothing of travel and time differences.

[Ikeda] But U.S. Secretary of State Warren M. Christopher, who is older than I am, travels a lot. A junior like me cannot complain.

[Kitaoka] By the way, when did you make your first trip abroad?

[Ikeda] It was in 1964, the last year of the Hayato Ikeda's cabinet and a little before the Tokyo Olympics.

At that time I was at the Finance Ministry, when I was ordered to go on loan to the Foreign Ministry and work at the Consulate General in New York.

Nowadays 15 million people go abroad annually, but in those days only about 100,000 people did.

[Kitaoka] College graduates started at a salary of a little over 10,000 yen, approximately \$40. In the 30 years since then, Japan has made tremendous progress and has taken on international responsibility along with it.

In the past several years, Japan's image became less conspicuous while Asian countries were making great strides in development and becoming more self-assertive. But now Japan's role in connecting Asia to the world is drawing attention because Asia has various difficult problems, topped by relations between China and Taiwan. I congratulate you for assuming the post of Foreign Minister at such a difficult time.

[Ikeda] Thank you very much. I must welcome challenging tasks, whether they are difficult or not.

For Japan as a whole and for diplomacy in particular, it is a very important time for Japan to play its role.

[Kitaoka] You have said exactly what I meant to say.

[Ikeda] The world entered a transition period of an extremely big scale several years ago, but Japan may have put off the work due to various domestic political problems and the international environment.

In that sense, this is a fortunate as well as an important time for Japan to tackle the tasks really earnestly.

#### Analyzing Results of Japan-U.S. Summit

[Kitaoka] Let us talk about the main subject. In my opinion, the recent "Japan-U.S. Summit" was an epoch-making conference, and your Russian visit was significant. Also significant was the "ASEM" you touched on earlier, in that former Asian colonies and their former European overlords talked on equal terms.

[Ikeda] On top of the talks between Japan and the United States, Japan and Russia, or Asia and Europe that you just mentioned, I will go to South Africa during the extended holidays in May to discuss matters related to African development. I also have various concerns about and interests in Middle East problems. I think Japan should play a role befitting it, because stability in that region greatly affects world peace. Well, such is the time we have entered.

[Kitaoka] I think the greatest event of all these diplomatic issues was the recent "Japan-U.S. Summit."

First of all, please tell me about the specific results and significance of the summit.

[Ikeda] Restructuring, reorganization, and reduction of U.S. military bases in Okinawa may come first. This is because only when burdens on the Okinawan people are reduced and their understanding is obtained can Japan cooperate with the United States in security arrangements. It was agreed to reduce the area used by military bases by more than 20 percent, including the total return of Marine Corps Air Station Futenma, made possible through the leadership of Prime Minister Ryutaro Hashimoto. Next came a very significant fact for the peace and prosperity of future Japan and the Asia-Pacific region: the two leaders reaffirmed the importance of their security arrangements in the joint declaration on the Japan-U.S. security alliance. Specifically speaking, two nations agreed to reexamine the Japan-U.S. Defense Cooperation Guidelines and to study ways of cooperation in case emergencies greatly affecting Japan's security take place nearby. Both countries also signed an agreement on shared supplies and services between the JSDF and the U.S. military.

I could see well how substantive the conference was. Frankly, the summit achieved tremendous success, far

greater than most people had expected. As I study the history of Japanese diplomacy and Japan-U.S. relations, I believe that the summit will be recorded as one of the most significant events in post-war history.

Please tell me your assessment of the summit and what you think of it now.

[Ikeda] It can be compared to the construction process — a blueprint has at last been drawn up, but the work of erecting a building remains to be done. Whether it was a historical meeting or not cannot be determined yet.

When what was drawn on the blueprint by the agreement between both leaders of Japan and the United States is executed faithfully as intended, future historians may recognize the summit as one of the most significant meetings, as you have said.

[Kitaoka] I think you are right.

[Ikeda] The reason the Summit is given high marks can be attributed to the post-Cold War situation, which brought big changes not only in security relations but also in the economic sphere.

In such a changing world, Japan and the United States have clearly recognized that both countries are irreplaceable friends for coexistence, have common interests and concerns — especially as nations in the Asia-Pacific region — and have to play their respective roles in the spirit of cooperation.

[Kitaoka] Exactly.

#### What Has Made the Summit a Success

[Ikeda] In the field of security, Japan-U.S. security arrangements were formed in the 1950's, and in 1960 the Japan-U.S. Security Treaty was signed. At that time there were heated debates; but thereafter, despite changing situations, no face-to-face talks took place. As a matter of fact, the Japan-U.S. security arrangements have played that role instead.

This time, however, the two nations reaffirmed what is important in the current international situation by looking at it directly, and agreed on specific measures to improve their reliability and effectiveness. This has been extremely significant.

[Kitaoka] Certainly that was a big achievement. I hesitate to say it in front of a person directly connected with it, but let me say my assumption that it was due to great, active leadership by both the prime minister and foreign minister that an agreement was reached.

[Ikeda] To say nothing of me, such an accomplishment was achieved thanks to the sincerity and great leadership of the prime minister.

On top of it, the bureaucrats of the Defense Agency and other ministries concerned besides the Foreign Ministry were seriously pondering what Japan should do in the changing world. They made great contributions to this end by doing their part in their respective fields.

In the political world there seems to be a don't-rock-the-boat tendency that avoids seemingly complicated troubles or puts off solving them.

But this time it was different, in that the lessons were learned and the prime minister himself gave us specific instructions. A big success seems to have resulted from this joint work by the political and bureaucratic worlds.

[Kitaoka] Don't you think another factor is that the prime minister and the foreign minister came from the same political party faction?

[Ikeda] In my opinion, the Social Democratic Party [SDP] and Sakigake also contributed to exerting a good influence because, taking advantage of experiences gained by being in the center of politics, they had a correct understanding of the domestic as well as the world situation and made realistic judgments on them, too.

[Kitaoka] The main opposition party happens to be conservative, and it is a very good development in connection with big diplomacy and security arrangements in the broad perspective that the ruling and opposition parties have sincere talks and debates within the scope of a certain understanding.

#### **Friendly Relations With China Are Indispensable**

[Kitaoka] At any rate, in view of the present situation, where a big task still remains to be settled, I think that the achievement was considerably great for the moment.

In Japan's diplomacy, a close relationship between Japan and the United States comes first and then comes an indispensable factor, that is, friendly relations with China.

But it is not a simple matter. It is a fairly time-consuming and difficult task to make China understand that although Japan makes frank comments on the problem of nuclear experiments, these comments do not mean hostility against China but are only intended to carry on friendly cooperation.

[Ikeda] I really think so. Now that a blueprint has been completed for Japan-U.S. relations, it has to be carried out precisely as it is intended. And Japan's next task is to make relations with neighboring Asian nations stable.

One out of five humans is Chinese, and soon one out of four will be. It is most probable that China will become number one in the world in total scale of economy in the early part of the 21st century. Therefore, I think it is necessary to make relations between China and Japan close and full by all means.

[Kitaoka] I fully agree with you.

[Ikeda] Another important colleague is the United States, and its relations with China were strained for the past several years, as with Japan. Both Japan and the United States must be on good terms with China.

At any rate, I think we have to talk with China in sincere terms. Of course we have to look straight at history and reflect upon ourselves. But an important thing is to build the future together.

To do so we have to take into consideration that China is a socialist economy and has a different political system. When we talk, the Chinese people make their basic standpoint, principles and rules clear, as expected.

It takes quite a while if we talk sincerely.

[Kitaoka] They talk about the principles and rules at length.

[Ikeda] I have met with Chinese Foreign Minister Qian Qichen on three occasions, but I felt an itch that I cannot scratch in the beginning.

When I met him the second time, I proposed him "to come over on Sunday to have a thorough talk without hurrying, and he agreed. He came to Japan on 31 March, and I could talk with him at length, taking plenty of time.

[Kitaoka] How did it turn out that time?

[Ikeda] He asked me many questions and criticized the way Japan is, and I answered him frankly.

#### **China's Nuclear Tests and Problems of Economic Cooperation**

[Kitaoka] In connection with Chinese relations, do you have any specific schedule or agenda?

[Ikeda] Currently under way are negotiations on problems of fisheries as a result of enactment of the United Nations Convention on the Law of the Sea. It has many difficult aspects, but they must be settled in the long run.

Next comes the "nuclear" problem. The world's nations, including Japan, are hard at work to conclude the Comprehensive Test Ban Treaty [CTBT] negotiations by this autumn.

China says the treaty is all right, with the exception of nuclear explosions for peaceful purposes. Such exceptions cannot be allowed. I hope to have a thorough talk on the matter.

[Kitaoka] Are not the nuclear powers saying they would stop the nuclear tests?

[Ikeda] Yes. Even France says no more tests will be conducted. The only uncommitted nation is China, and that point must be talked over.

In this connection there are varied voices in Japan. Japan provided China with economic cooperation for the purpose of nation-building but in principle suspended cooperation on grants last year because of the nuclear tests. Furthermore, there are demands to stop granting yen loans to China. We have to find an answer to them.

I hope that China does its share as a constructive partner of the international community, especially in the Asia-Pacific region, in addition to maintaining friendly bilateral relations. To that end, China is hoped to carry on its economic construction through the open-door policy currently enforced.

Therefore, I think it is important for Japan to carry on its economic cooperation in spite of various difficulties that may arise in the future.

[Kitaoka] I feel the same way. At present we are engaged in the process of thoroughly confirming the Japan-U.S. security arrangements. It is understandable that such a natural process is being misunderstood or looked at with concern by China.

But we are now at the stage of undoing this misunderstanding, and therefore it is better not to touch the yen loan at this stage. Rather I think it is time to send friendly signals to China.

[Ikeda] Basically, for Japan it is advantageous that China play the role of a constructive partner. The same is true of the United States, I think.

From the standpoint of China, I think it is in China's interest to maintain friendly relations with Japan, neighboring Asian countries, and the United States.

One of several factors that have to be observed in keeping with the basics is Japan's economic cooperation. That is to say that no problems should be cited as reasons for stopping cooperation.

#### "ASEM" Is Hoped To Make Progress

[Kitaoka] In connection with that problem, Russia has recently made a major step toward the CTBT. And in connection with the energy problem in Asia, you made

a sensation by proposing and taking the initiative for an atomic energy summit.

[Ikeda] Yes. Especially because the energy problem is an important matter for Asia as well as for the world economy as a whole.

[Kitaoka] It will turn into a grave matter if the energy problem is incidentally entangled with the security problem. It will also cause trouble if nations are offered easy access to nuclear power plants in which safety guarantees are low.

In Japan's taking the initiative, a cautious attitude is needed as well as very hard study of the matter. Has any specific schedule been decided for a conference on nuclear power plants in Tokyo in the latter part of this year?

[Ikeda] Nothing concrete has been decided yet. Japan is now making appeals for a conference on atomic power safety in the region. China is invited to take part in the conference by all means.

In any case it is necessary to think about an alternative energy source in connection with the energy problem. As for nuclear energy, it is important to proceed with error-free talks in order to pay more than full attention to safeguards and clear up anxiety over diversion of nuclear power to military use.

[Kitaoka] Now, please tell me more about "ASEM."

[Ikeda] At first when I attended this meeting, I was a little dubious that anything concrete would come out of it, because former colonies and their former overlords were meeting and talking on equal terms.

A number of ideas were presented, and agreements were reached to set up various occasions for their realization. For example, it was decided to hold meetings of foreign and economic ministers. Practical plans and setups for meetings of private businesses and of customs were organized in rapid succession. I felt that something promising would come out of it.

[Kitaoka] I see.

[Ikeda] Two years later, the second conference will be held in London, and I look forward to a great success.

[Kitaoka] From the end of last year to February and March this year, I visited Britain, Germany, and France and found these countries are greatly interested in it. If it goes well, a number of specific successes could come out of the meeting, I feel.

[Ikeda] Before the meeting took place, the only nations that had concrete and close connections were Japan and the European Union.

In this connection, I think that Japan has to make its experience available for the benefit of all the Asian and European nations that took part in "ASEM."

#### **Japan's Chance of Becoming a Permanent Member of the UN Security Council**

[Kitaoka] What is the prospect of Japan's becoming a permanent member of the United Nations Security Council?

[Ikeda] At present, Japan is making every effort in deliberations at the United Nations General Assembly. But the situation is that although many countries expressed their support for permanent memberships for Japan and Germany, another proposal was made to the effect that several more countries would be added to the newly proposed list of permanent members. Thus, rivalry among nations is making the settlement difficult.

Various ideas are presented, but none of them have yet prevailed.

Opinion among the Japanese who are less enthusiastic about Japan's becoming a permanent member of the U.N. Security Council seems to have diminished in strength in recent days. The political world was responsible for keeping this opinion alive.

In other words, people who oppose the idea feared Japan would be compelled to shoulder a far greater role and responsibility than before and to bear military burdens in peacekeeping efforts when Japan becomes a permanent member.

[Kitaoka] Yes, that is right.

[Ikeda] There is no such worry any more, even if Japan becomes a permanent member now. If people worried about this, the political world was to blame.

[Kitaoka] I do not think the United Nations will become an organization that will wield great military power in the foreseeable future. It has financial problems of its own, and what the UN could do is comparatively little; nevertheless it is important.

[Ikeda] Included in the reform plan envisaged for the UN are reorganization of the Security Council, financial reform, and economic and social reforms.

So far it has dealt with too many things, resulting in too much administrative cost but little effect. So the United Nations seems to be trying to decide what it can do and, once decided, do it with full strength, not dealing with everything.

[Kitaoka] Doing what it can thoroughly deal with is important. UN Secretary-General Butrus Butrus-Ghali had made noteworthy proposals including peace enforce-

ment or peace compulsion. From the beginning, that seemed to be difficult; and in fact it did not succeed. However, there were important proposals beyond conventional imagination.

For example, preventive deployments of UN troops as in Macedonia have resulted in success. Such measures should be carried on. The present Japan has to make forward steps, but they do not have to be absurd leaps.

[Ikeda] As in the domestic safety policy, making specific moves one by one is really effective. It is just the same role Japan has to play for the United Nations.

[Kitaoka] When I had a chance to talk with Mr. Akashi some time ago, we agreed that much could be done within the Constitutional framework.

Frequently mentioned about Japan of yesteryear was that "Japan can make contributions by its own special tricks." Nowadays the government is short of money, and Japan can no longer boast about its special trick of contributing in economic and technical fields. After all, it is not good to settle problems through money.

It is necessary for Japan to make balanced contributions and cooperate within its means.

[Ikeda] That is right. Japan has to think about its abilities before making efforts for the benefit of the United Nations.

#### **ROK Relations To Be Dealt With in Future-Oriented Way**

[Kitaoka] Aside from the North Korean problem, and after clearing the Japan-U.S. security arrangements problem, the ROK is a country with which Japan has to calm rough waters. Tell me about Japan's ROK policy.

[Ikeda] Without maintaining wide and profound relations with the ROK, as in the case of China, the two nations cannot continue to live on mutually. The relationship must be maintained with respect.

Naturally Japan must not forget to reflect upon the past, but it must proceed fundamentally with a future-oriented way of thinking.

In spite of the territorial issue between the two countries involving Takeshima Island, Japan and the ROK basically agreed to proceed with the discussion of the fisheries problem apart from the territorial dispute.

The situation in the Korean peninsula is the prime concern when the future security surrounding Japan is considered. Therefore, both countries have to consult and coordinate with each other in dealing with the problems.

Notwithstanding all kinds of problems, I think it is vital for both countries mutually to respond cool-headedly without forgetting the fundamentals.

[Kitaoka] I agree with what you have said. I do not think it is right for the Japanese to conceal their genuine intention against their will. The other side has a special feeling against Japan, and in its background are ample reasons to feel that way. The only thing Japan can do is make responses patiently and solidify mutual friendship.

[Ikeda] A joint study of history is now in progress, and I think the present disagreement will be reduced to a minimum by and by.

Although it is called a joint study, the study will not go into an authorized, monolithic history. That cannot be a genuine study at all. In the process of broad, free study on various aspects of history under the private-sector leadership, I think that mutual understanding, including a true understanding of the past, will advance.

[Kitaoka] It is disturbing to have officially authorized history, but confirming various facts and comparing various viewpoints have to be carried on by all means.

[Ikeda] Speaking of North Korea, that country seems to be in serious trouble. It is essential for the security of the region that North Korea be persuaded to come into the international community with lesser friction.

With the ROK in the center, the neighboring countries of China, Russia, and Japan have to consider various ways to attain that goal.

In the case of Japan, normalization of relations with the DPRK has made no conspicuous progress, and this problem must be pursued independently.

For Asia as a whole, exchanges with East Asia, Southeast Asia, and Southwest Asia have to be accelerated.

Because economic growth in these areas is high, the fundamental thing is to pay due respect to mutually dependent and mutually beneficial relations.

[Kitaoka] For that part, you can surely be optimistic.

[Ikeda] Yes. In order to make multilateral progress, we must take good care of the APEC and ASEAN regional forums and proceed with plans in a natural manner.

#### Shinichi Kitaoka's Comments After the Dialogue

I met Foreign Minister Ikeda once at a dinner party. He made an impression on me by the earnest manner in which he talked to many guests. His attitude was so determined not to make the ceremonious occasion a mere formality.

This time, he talked in a very frank manner. Such a forward-looking attitude tends to bring luck. During the Persian Gulf Crisis he served as Director-General of the Defense Agency; and this time, as the Foreign Minister he dealt with the Okinawan problem and the work of redefining Japan-U.S. security arrangements. There can be no greater joy for a politician than being able to deal with such difficult tasks.

He has a character that befits a Foreign Minister. Diplomacy cannot be performed without complications. Nations with different interests and different ways of thinking clash head on with contentions, adjust their interests, and work out peace and stability. The first step of that diplomacy is to talk frankly. I have great expectations for Foreign Minister Ikeda, who is plain, tough, and forward-looking.

#### Japan: Hashimoto Wants Budget Ceilings To Be Set After G-7

OW2106071996 Tokyo KYODO in English  
0638 GMT 21 Jun 96

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Prime minister Ryutaro Hashimoto on Friday [21 June] called on cabinet members to expedite formulating their stances on the ceilings for fiscal 1997 budgetary requests after the June 27-29 summit of the Group of Seven industrialized nations, Chief Cabinet Secretary Seiroku Kajiyama said.

Hashimoto told a semiweekly morning cabinet meeting, "I hope to compile a government position through unofficial cabinet sessions after the summit," Kajiyama, a top government spokesman, said in his press conference.

Ministries and agencies are asked to compile their requests for the next fiscal year state budget at the end of August.

Hashimoto urged his cabinet to tackle economic problems facing Japan, as drawing up the budget for fiscal 1997 beginning next April is expected to become a difficult task because of continuing lower tax revenues and the state finance's heavy dependence on bond issuance, Kajiyama said.

The premier has announced a plan to review the public works budget and stress promotion of science and technology to support the Japanese economic recovery in the budget compilation process that will hit its stride this July.

Hashimoto also plans to confer with opposition leaders on budget compilation after he returns to Tokyo on July 1 from Lyons, France, Kajiyama told reporters earlier in the day.

The prime minister wants to meet the main opposition Shinshinto (New Frontier Party) President Ichiro Ozawa and Japanese Communist Party Presidium Chairman Tetsuzo Fuwa at an early time to report on the summit, Kajiyama said.

**Japan: Kajiyama on Conditions for Supplementary Budget**

*OW2106100496 Tokyo KYODO in English*  
*0903 GMT 21 Jun 96*

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Whether the government will compile a pump-priming supplementary budget depends on how the Japanese economy performs up until a possible extra Diet session in the autumn, a top government spokesman said Friday [21 June].

Chief Cabinet Secretary Seiroku Kajiyama told a press conference that he was pleased by the recently announced 3 percent quarter-to-quarter rise in gross domestic product in the January-March quarter, but that the government must see whether economic recovery continues through July, August and September before assessing whether a supplementary budget will be necessary.

"If sound economic development continues, we should avoid such disbursements, but otherwise we would need a short-term stimulation measure," he said.

Some politicians have called for enacting a supplementary budget for fiscal 1996 by convening an extraordinary parliamentary session this fall.

**Japan: Former Executive Fined for Missile Exports**

*OW2006141096 Tokyo KYODO in English*  
*1327 GMT 20 Jun 96*

[FBIS Transcribed Text] Tokyo, June 20 KYODO — The Tokyo District Court on Thursday [20 June] ordered a former executive of Japan Aviation Electronics Industry Ltd. to pay about 1.25 billion yen [Y] in damages for illegal exports of missile parts to Iran in 1991.

The amount is the highest in Japan in a lawsuit filed by shareholders to protect a company from serious financial loss caused by the management, who allowed such illegal exports.

The ruling was on a 5 billion yen suit brought by a shareholder in Fukuoka, southwestern Japan, against the then president and two former executives of the company.

The former president and the other managing executives were ordered to jointly pay about 40 million yen out of the 1.25 billion yen.

Presiding Judge Seishi Kanetsuki said the executive had been aware of the illegal dealings by the company, which resulted in it being fined by the United States. He said the executive's conduct had caused the company a great deal of damage.

Japan Aviation Electronics, in which NEC Corp. is a major shareholder with a 50.1 percent equity, is a manufacturer of aeronautical internal navigation equipment.

**Japan: Ministers To Expedite Implementation of 'Jusen' Program**

*OW2106050796 Tokyo KYODO in English*  
*0402 GMT 21 Jun 96*

[FBIS Transcribed Text] Tokyo, June 21 KYODO — A team of cabinet ministers confirmed their determination at a meeting Friday [21 June] to expedite implementation of a recently endorsed scheme to liquidate seven failed "jusen" housing loan companies, a top government spokesman said.

Chief Cabinet Secretary Seiroku Kajiyama told a press conference that he urged ministries and agencies to "closely cooperate with one another" to recover loans at the moribund mortgage companies and pursue those parties responsible for their failure.

Kajiyama quoted Finance Minister Wataru Kubo as saying at the meeting that a new institution to be set up under the liquidation scheme will take "every step" to collect the debts in question.

Compensation demands will be filed against executives at the housing loan firms and related financial institutions if they are found to have caused losses at the loan firms through illegal means, Kubo said, according to the top spokesman.

In addition to Kajiyama and Kubo, ministers who also attended the session were Justice Minister Ritsuko Nagao and Home Affairs Minister Hiroyuki Kikuta in his role as National Public Safety Commission chairman.

The team, which Kajiyama said aims to support the liquidation scheme, held its first session in February, and Friday's meeting was the second.

The Diet approved the jusen liquidation program Tuesday despite public opposition to the planned use of 685 billion yen in taxpayers' money for the operation.

**Japan: MITI Says Corporate Investment To Continue Recovery***OW2106113096 Tokyo KYODO in English  
1044 GMT 21 Jun 96*

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Corporate capital investment is likely to follow a moderate recovery path in fiscal 1996 for the second straight year, helped by improving demand-supply environment and corporate earnings, the Ministry of International Trade and Industry (MITI) said in a report released Friday (21 June).

The report said combined capital investment in the year which began April 1 is expected to grow 6.5 percent over the previous year to 17.31 trillion yen.

When the electric power industry is excluded, investment growth will be 6.8 percent at 11.96 trillion yen, it said.

The growth follows an estimated 9.1 percent rise in fiscal 1995.

MITI said capital investment is expected to continue recovering moderately although there are still some uncertain factors such as demand for computer devices.

Overseas investment, mainly in Asia and Europe, is expected to climb 17.7 percent while spending by Japanese companies operating overseas is forecast to rise 19.3 percent, the ministry said.

The ministry said the report is based on a survey conducted in mid-May on 1,294 major corporations capitalized at 100 million yen or more, excluding construction, real estate and shipbuilding.

Investment by the manufacturing sector in the current year is seen to grow 7.5 percent to 5.8 trillion yen, a turnaround from a 9.9 percent drop the previous year, the ministry said.

Growth of capital investment planned by the electronic machinery industry in fiscal 1996 shrank to 14.3 percent from the previous year's 37.0 percent, it said.

Investment by the nonmanufacturing sector is estimated at 11.51 trillion yen, up 6.1 percent, compared with a 4.5 percent increase registered in the previous year, it said.

The steel industry cut capital investment for fiscal 1996 but automobile and paper-pulp industries kept their spending at high levels, the ministry said.

Notable in the nonmanufacturing sector is the high-level spending planned by leasing and wholesale-retail industries, it said.

**Japan: EPA Chief Backs Bank of Japan's Low Interest Policy***OW2106051596 Tokyo KYODO in English  
0425 GMT 21 Jun 96*

[FBIS Transcribed Text] Tokyo, June 21 KYODO — Shusei Tanaka, head of the Economic Planning Agency (EPA), on Friday (21 June) supported the current low-interest policy taken by the Bank of Japan (BOJ).

On the strong gross domestic product (GDP) figures released Tuesday, EPA Director General Tanaka also said at a press conference, "the Japanese economy has not yet entered a phase toward a sustainable recovery. The GDP largely depends upon demand from the public sector."

Tanaka also maintains that administrative reforms should be drastically carried out before an increase in the consumption tax, noting that such reforms will be a key for formation of a new government after the next general election.

**Japan: Keidanren Proposes Making Japan Dynamic State***OW2106034096 (Internet) Keidanren WWW  
in Japanese 15 June 96*

["Full text" of resolution, "Our Responsibility To Create an Attractive Japan," adopted at the 58th Keidanren General Assembly on 28 May; from the "News" link]

[FBIS Translated Text] Although the Japanese economy is in a severe condition, it has finally showed signs of recovery thanks to the government's yen-curbing and economy-boosting measures and the business circles' strenuous efforts. For the time being, the business world's independent efforts will be all the more important for full-fledged recovery. Meanwhile, the government should endeavor for an early passage of finance-related bills, including one to liquidate failed housing loan companies, and take urgent measures to stabilize the financial system in order to achieve sustainable growth.

The review of various systems that contributed to the development of this nation is urged. The business circles need to act under the principle of self-responsibility. Meanwhile, politicians and the government should do their utmost to reconstruct liberalism and democracy with high morals and to regain the nation's and foreign countries' trust in them.

We compiled a resolution, "Our Responsibility To Create an Attractive Japan," to mark the 50th anniversary of the foundation of Keidanren [Japan Federation of

Economic Organizations], and we are resolved to promote structural reform in all sectors and make Japan a dynamic global state. To achieve this vision, we will boldly tackle urgent tasks listed below and urge politicians and the government to work for nation-building for the 21st century:

1. As the core for creating a new Japan, we should seek an early transfer of functions of the capital. Also, to create a government with high transparency, simplicity, and efficiency, we should call for an early implementation of measures to abolish or relax regulations, and to promote the reorganization of government ministries and agencies, administrative reform that involves the review of government enterprise, decentralization, and the establishment of information networks for the administration. Priority should be given to the promotion of science and technology projects and the improvement of information and traffic networks for the 21st century.

2. Recognizing that the state and local governments' finances are in a severe condition, we should call for drastic structural reform of both expenditure and revenue systems for the creation of a vital aging society. At first, we should urge the government to recover flexibility of finances through thorough review of expenditures, and to rectify the ratio of direct taxes to indirect taxes. In particular, we should urge the government to reduce the corporate tax, which is heavier compared to those in the United States and European countries.

3. The business world should make efforts to increase the existing industries' competitiveness to achieve their further growth. Displaying entrepreneurship, it should promote research and development programs, the creation of new industries and businesses, and the utilization of deregulation results to ensure employment. It should also implement the reform of a personnel management system to develop human resources for the next century. The reconstruction of industries in the quake-hit Hanshin area is an urgent task. In addition to efforts by the state and local governments, the business circles' leading role is important.

4. In promoting exchanges with the United States and other countries, we should give importance to policy talks among the private sectors. Also, we should make efforts to strengthen ties with the World Bank and other international organizations, to support the activities of the World Trade Organization, the OECD, and APEC [Asia-Pacific Economic Cooperation], and to reflect the private sector's opinions in the activities of these organizations. At the same time, we should tackle global environmental issues and provide developing countries industrial cooperation to help them introduce private

capital for public projects and establish infrastructure, and cooperation for education and human resource development.

5. To heighten the will of citizens, including business people, to participate in politics, we will establish a "corporate people's political forum." We hope for politics which places emphasis on policies, which is not swayed by the interests of political parties, which has high transparency, and which is acceptable to other countries.

**Japan: Keidanren Notes Hollowing Out of Markets**  
*OW2106105496 (Internet) Keidanren WWW*  
*in Japanese 15 May 96*

[Keidanren position paper: "Ways To Revitalize Japan's Industry and To Deal with the Hollowing Out of the Financial and Capital Markets;" from the "News" link]

[FBIS Translated Text] **Introduction** 1. Possibility of the Whole Japanese Economy Hollowing Out After Financial and Capital Markets Have Hollowed Out [subhead]

1) The economic and social system that has served and supported this nation so far is no longer working effectively enough to be able to deal with the change of times marked by the waves of liberalization, globalization, and informationization. Indeed, in many ways, the system is now showing signs of fatigue. The Japanese economy can be said to be now in a trial period.

The Japan Federation of Economic Organizations [Keidanren] takes note of the fact that it has earlier presented a long-term vision on ways to overcome the choked-up condition of Japan and to bring vitality and hopes back to this country in a paper titled "the Creation of a Fascinating Japan," which could be called the Keidanren's prescription for a drastic structural reform.

2) A reform is bound to accompany some pain and difficulty. If the nation keeps itself a prisoner of the past social structure and vested interests, and leaves its overall economic-social system and other systems distanced from those of global norms, the condition of "hollowing out in the areas" of humans, commodities and money will only proceed and expand.

We live in the time when economic activities are increasingly conducted freely across national borders. The current condition of the financial markets can indeed lead to the hollowing out of the whole Japanese economy including even technology and information segments.

3) Concerning ways of putting a stop to the industrial hollowing out, the Keidanren in October last year pre-

sented a paper titled "Mid-term Outlook on the Japanese Industry and Tasks to Resolve in the Future," outlining actions both the private sector and the government should take, with private industries urged to restructure and reengineer their systems, to promote research and development programs and to take on challenges of new ventures and new projects, and with the government urged to review and revise its regulations and the taxation system.

If it is the government's intention to secure and maintain competitiveness for the industry, it is also important that the financial and capital markets, which may be called the heart of the economy, be able to function fully and to support the businesses' active endeavors for expansion.

4) In spite of this, however, there are now concerned voices noting the hollowing out of the financial and capital markets. People are worried, saying that "transactions that should be conducted in the local financial and capital markets are being conducted in other countries' markets" or that "the relative position of our country's markets is declining." In the meantime, the foreign financial firms are saying they are not interested in the Japanese market which is full of restrictions.

The hollowing out of the financial and capital markets is not simply the problem of the financial industry. Difficulty in procuring capital or in having access to high quality information can bring a critical damage on the businesses which are seeking to go into new projects and make their product more value-added. This situation can really lead to the hollowing out of whole industry.

## **2. To Stop Hollowing Out is a National Economic Task**

1) Until several years ago, the financial and capital markets of Japan had been very active and had commanded the world's attention as one of the world's three largest markets along with those of New York and London. But, of late, the Japanese markets are marked by following signs of hollowing out:

In the financial market, foreign institutions have moved their operational bases and personnel away from Tokyo to Hong Kong and Singapore, while local institutions have been slow in instituting such new products as securities derivatives. This condition has led to moving away of the Euro-yen interest futures trading business to Singapore. The volume of trading in the Tokyo foreign exchange market, which ran to about 15 percent of the total world trading in 1989 and thus was equal to the volume traded in the New York market in that year, came down to about 10 percent by April 1995, falling far behind those of London (30 percent) and New York (16 percent).

In the securities market, there are conspicuous signs of foreign businesses leaving the Japanese market as seen in their withdrawal from the Tokyo Securities Exchange and in the transfer of the futures trading businesses overseas.

The trend of people losing interest in the Tokyo market apparently is international. In international meetings, some people went so far as to say Tokyo with so many restrictions and regulations was out of the question as an international market.

Things have changed so much and the people in the work concerned with finance are critically viewing the present condition of the Tokyo market. A survey conducted on foreign-invested financial institutions by the International Financial Information Center (in October 1995) revealed that many people thought that the financial and capital markets in this nation are not liberal enough and that if no remedial action is taken soon, the Japanese market will lag behind the Singapore market in next five years.

2) Some of the existing conditions are a product of the economic cycle or more specifically, the collapse of the bubble economy. But still, no doubt, the greater part of the reason for the conditions is the structural problem that had not been noticed in the days of the economic boom up to the time of the bubble economy. The structural problem, which has come to show up with the nation's real economy starting to stutter, is due to the "lack of freedom," "lack of transparency" and "high financial costs" as represented in various strict regulations, untransparent financial administration, and high costs in taxation and public utility charges.

An expert has warned, "Many systems of Japan are structurally made to 'drive Japanese businesses out' of the country and to 'stop foreign businesses from coming in' to the country. Japan may have ended up driving itself out of competition." Indeed that may be what is now happening with the financial and capital markets of Japan.

3) Japan, however, is not the only or the first country which is experiencing the hollowing out. Several other countries have the experience of having fallen into similar situations in the past. But New York and London, for instance, promptly took actions to deal with the hollowing out condition — by enacting bold deregulation measures in such areas as business operations, or by reforming the taxation system on financial and securities services. Consequently, they have been able to maintain themselves as the international financial centers. Japan, too, should take the recent condition of hollowing out as the time to give a review and think over what to do about its financial and capital markets.

After all, with its huge accumulated capital reserves, its political and economic stability, and its such favorable geographical elements (as being in a time zone different from the United States and the United Kingdom), Japan has all the favorable conditions which can help make its financial and capital markets grow and expand.

4) At present, the financial institutions of Japan are quite busy with such backward-looking actions as those to deal with bad debt problems. As such, the overall business operations are not always conducted actively or strategically. If this condition continues, the financial service industry of this nation will fall further behind while that of other countries will keep on growing and run ahead, which in turn will exacerbate the problem of the financial and capital markets hollowing out.

In the meantime, with dramatic advance being made in information technology and with economic activities becoming increasingly globalized, the business chances for the financial institutions are steadily growing.

What is being asked of this nation is to resolve the bad credit problems without further delay, to regain stability in the financial system, to make efforts to get international trust in the system restored, and to launch into more forward-looking and active business operations. All and everyone of the people concerned in the industry must join in the efforts to reform the markets, realizing that halting this condition of the financial and capital markets hollowing out is indeed the most critical step in regaining the vitality for the industry and the whole Japanese economy.

The government is called on to undertake a major shift of its position and to provide active support to the efforts of the private sector.

Following is a study we have conducted on the effect which the hollowing out of the financial and capital markets is causing on the Japanese economy, with the study being followed by a presentation of our vision on actions to take.

#### **I. Effect of Financial and Capital Markets Hollowing Out**

There are so many restrictions governing financial transactions in the market of Japan; thus, there are many problems for customers to get access to financial resources. Particularly over the past several years, there have been serious problems reported in procuring and operating funds.

Meanwhile, however, individual businesses, particularly large corporations, are saying the absence of good markets in Japan does not pose a major problem to them. This suggests that competitive businesses of Japan

still have good sources of financial information and that the Japanese financial institutions still can compete in overseas markets. This also suggests difficulty in pinpointing how serious the problem of the financial and capital markets hollowing out is — at this stage. Therein may lie the difference between these financial markets hollowing out and the industrial hollowing out.

As such, unless some kind of actions are taken, the condition of financial transactions moving overseas and the Japanese market declining in its relative term is likely to continue and to become even more serious. Money, after all, is a product that can run faster than any other product. Money moves around the world, looking for markets where it can be easily used with deep appreciation.

#### **2. Serious Effects That Hollowing Out Can Cause**

If the financial and capital markets' hollowing out proceeds further, that will throw a very serious impact on customers in the markets. Such situation can lead to the condition of failing to provide necessary financial information in timely manner and to perform adequate capital supplying functions, which subsequently will lead to the situation of the national industrial hollowing out or even the national economic hollowing out.

##### **1) Its Effect on the Businesses' Procurement of Funds**

Right now, this nation is being forced to undertake a drastic structural reform in all of its rules of politics, economy and business which have supported its economic growth since the end of World War II. And now a growing question asked of the businesses is how they can add values to their products. If the Japanese businesses really want to maintain their vitality and international competitiveness while being able to meet the changes in business circumstances, they must secure for themselves the diversity and efficiency in procuring funds. Financial institutions as well as the financial markets are expected to do more than what they have done so far and to deal with such new needs.

But if the financial and capital markets hollowing out proceeds as it is, there is no way for them to meet the expectations, and their functions of providing funds will fall, thus failing to procure adequate volume of funds for the industries. And while the Japanese businesses are compelled to meet severe competition from overseas, if the costs of procuring capital in Japan are higher than in overseas, Japanese businesses' international competitiveness will surely fall sharply.

Some say that if that is the given situation, all the businesses have to do is to procure their funds overseas, but

there are limitations to what the overseas markets can do for them. Not all the Japanese businesses can procure their necessary funds overseas. Besides, there is no guarantee that overseas markets will continue to be stable in long term. Consequently, even the Japanese businesses that can procure funds overseas insist that the presence of active local markets is essential. Furthermore, some have taken note that inability to procure funds at terms comparable to those available in overseas markets will be fatal to venture businesses.

## **2) Its Effect With Respect to Risk Control**

With the help of an appropriate, high-level risk management system in the financial and capital markets, businesses should be able to take more business risks. Not only the banking industry but also all the industries should be able to take business chances to expand their profits. For instance, Japanese businesses have been late in going into trading on such new derivative products as securities derivatives, and the reason for it is said to be the problem of the risk hedges being too limited. Such condition will increase unless some effective remedial actions are taken.

## **3) Forfeiture of Information Functions**

There is no doubt that the importance of information in the economic society will grow in the future. The industries also expect the banking institutions to provide not just funds and other similar capital means, but also to provide high-quality, and timely information although the quality and volume of the financial service depends much on whether major market players are physically in Japan. As such, there are growing voices of concern that should the hollowing out of the financial and capital markets proceed, important information relating to financial transactions will stop to come into Japan.

All kinds of information gathers in such international financial centers as New York and London, and banking institutions in these cities, with the help of this information, can take actions ahead of other firms in arranging, for instance, the syndicated loans or operating assets. The information-gathering functions of the banking industry actually have impacts on the overall industry, thus helping strengthen competitiveness of the industry.

But if the hollowing out of the financial and capital markets proceeds, it will become difficult to expect such information-gathering functions to continue. And such a condition will come to work as an obstacle to strategic operations of national businesses and investors. Lack of information on value addition in financial assets will work to limit choices of assets to use and can cause major problems in managing and securing important assets for the customers.

At present, the Welfare Pension Fund and other similar funds are being driven into bankruptcy. While lower yields on investments in them are the primary reason, the historically low yields are not considered the only reason. If the hollowing out condition proceeds further into the future, asset manipulating capabilities of the financial and capital markets will further fall, and that can bring a decisive damage to this country, which is entering an era of full-scale aged-population.

## **4) Impact on the Recirculation of Capital**

Japan now is the largest current-account surplus holder in the world. It is the international obligation for Japan to make contributions to the world economy by recirculating capital back to other countries in a stable manner. If the hollowing out of the financial and capital markets proceeds and problems arise in performing the functions as a fund mediator, the country will come to have trouble in channeling back funds from the current-account surplus. Consequently, Japan will not be able to respond to the actively rising capital needs for the Asian countries.

## **5) Effect of Impeding the Financial Service**

Full consideration must be made of the fact that the financial service is a prospective growth industry. If the hollowing out of the financial and capital markets proceeds as it is in this country, the whole financial industry of the nation can collapse with the functions of these markets being taken over by overseas markets.

## **6) Bad Impact on Employment**

If business operations for the financial industry keep shrinking as they are, it can cause a serious impact on jobs. The banks' functions as payment settlers or as loan intermediaries can be performed only with the help of communications technologies and data processing capabilities. Therefore, the reduction of the financial industry operations can lead to a reduction in demand for services by the information and communication industry, which will in turn lead to a reduction in employment in that industry and thus to the decline in investments in that industry. As such, the impact of the problem can extend well beyond the banking industry itself.

# **II. Actions Against Hollowing Out and Future Vision**

## **1. Future-Oriented Vision**

With the worldwide wave of liberalization and internationalization going on in the financial service since the 1980s, Japan has taken various actions to ride that

wave. But many of those actions have been primarily to deal with foreign pressures, and it is doubtful to say that Japan has made efforts to reform its markets based on its own recognition of problems or in pursuit of its own targets. In other words, the actions have been of the haphazard, temporary kind. But if the nation thinks it can live by the stop-gap actions, it can never meet the expectations of local or overseas users of the Japanese markets. The nation must draw up a long-term, broad-view vision first and then reform the market according to that vision. Specifically, the vision should envisage Japan becoming an international financial center and internationalizing the Japanese yen.

### 1) Making Japan an International Financial Center

The financial and capital markets of Japan are endowed with many advantages like the sound real economy, the world's largest current account surplus, and the geographical position which puts the nation in a time zone different from the United States and Europe.

The financial and capital markets of the nation should make efforts to turn themselves from being one of several international financial markets into being a real major international financial center which can meet extensive local and overseas demands — by making the most of these advantageous conditions surrounding the country. They should be turned into efficient and resourceful markets that accommodate all kinds of needs of local and overseas investors and fund users in the markets — by providing a broad and extensive area of services in financial dealings. They should develop into an financial center comparable to that of New York which is so easy for local and overseas customers to use — by adopting and practicing rules which are internationally acceptable. They should aim to become a source of innovation where new financial instruments that can be applied throughout the world will be created and developed actively.

When the markets come to do these, they will be able to perform their international roles, for instance, by making the nation's huge assets available to the Asian countries which can use such capital input very actively.

Furthermore, there is the problem of the nation's manufacturing industry hollowing out as a result of bulging manufacturing costs. The most urgent task for the industry is to develop itself into a high-value-added industry or to explore new areas of business. In order for the manufacturing industry to be able to restructure itself, it is vital for the industry to have support of such good financial and capital markets as those of New York which can provide prompt and high-quality information as well as easy-to-use funds.

With the aging of population proceeding, the forming of efficient and stable assets is getting increasingly important as well. The financial markets need to diversify their products while upgrading their asset operation capabilities.

### 2) Internationalization of Yen Currency

The rate of the yen currency being used in the international financial capital market has not yet come to the point that befits the economic scale and power of the nation, but the yen currency will get further internationalized in the process of the nation's financial markets being reformed and developed into an international financial center. In fact, Japan can expect multiplying effects from the internationalization of the yen currency inasmuch as such internationalization will make contributions to the growth of the overall Japanese markets.

The internationalization of the yen is expected to bring much merits not only to the economy of Japan but also to that of East Asia and the whole world.

First, the internationalization of the yen will help diversify the menu of international currencies from which the investors at home and abroad can choose. Second, if the internationalization of the yen makes progress, it will help allay uncertainties in profitability from international trading and investment operations, thus making it easy for Japanese businesses to control their exchange risks. Third, since there will be rising demand for the yen not only from individual Japanese businesses and institutional investors but also from non-resident businesses and institutions to make settlements and to procure and operate necessary funds, the yen internationalization will contribute to expanding business opportunities by Japanese financial institutions and will help expand business chances for the nation's peripheral industries like the information industry.

If the yen internationalization makes progress in East Asia, helped by the reform of the Japanese financial markets or by the expansion of Japan's imports of products from it, that will help the countries in East Asia get out of inflation caused by the dollar's decline, and enable them to procure and use funds from the huge financial resources of Japan, to diffuse exchange risks related to foreign currency reserves, and to assure operating profits for investors.

Besides, it is likely that the Japanese yen and the German mark or the Euro which will become the common currency in Europe will come to perform an increased role in backing up the dollar, the key currency, and that the use for these currencies will grow, effectively containing the U.S. economic policy which has allowed the United States to live with its

large deficit in the international balance of payment. These currencies can make big contributions to healthy development of the world economy as well as to the stabilization of international currencies.

Of course, once the outflow overseas of the yen currency starts to grow with the internationalization of the yen, it will become difficult to maintain the effectiveness of the domestic financial policy. In other words, the internationalization of the yen is likely to accompany some adverse effects like the increased popularity of the yen leading to the yen value appreciation. Actions to be taken need to be those which can maximize the merit of the yen internationalization and also give full consideration to the demerit therefrom.

## **2. Stopping the Hollowing out; Goals With Future Vision**

If the nation wants to stop the financial markets from hollowing out, to develop the Japanese markets into a real international financial center, and also to internationalize the yen currency, it will have to have a strong resolve to turn the markets into those which will be very convenient, efficient and transparent to the users, those which will meet the global standards and thus will be acceptable internationally, and those which will be oriented by the market principles.

While the Hong Kong and Singapore markets have grown remarkably in the past several years, their source of vitality has been in the high degree of liberalism permitted for and active business activities conducted by foreign financial institutions. What Japan is demanded to do most now is to review and reform the regulations and practices of its financial markets and the taxation system, while improving on the conditions surrounding the markets. The Japanese financial and capital markets have so far given priority to protection of investors, which, no doubt, has worked to overlook good business chances. 6 of 7

In the past, rules have caused rather than prevented the hollowing out. In the future, discussions should be held on ways of protecting the investors, but more efforts should be made to turn the Japanese financial markets into good business-minded markets that are willing to make disclosures and be mindful of the merit of liberal financial transactions.

Presented below are the direction of reform and specific actions we recommend the government to take:

### **1) Abolishing and Easing Regulations**

As part of efforts to reform the financial system, Japan has deregulated its financial service sector gradually since the 1980s, but while there have been much active

talks made, it is impossible to say the markets of this nation have been liberalized enough in relative terms. We must say Japan has been lagging behind in actions to deal with changes in business conditions, failing to get into the new financial dealings like securities derivatives and being late in globalizing and computerizing the financial service.

Hereafter, if the nation chooses to be content with its existing liberalization measures and does not want to go beyond that, its gap with other countries will only grow, and the markets will remain far from being innovative or being internationally acceptable. At present, in Japan, control is exercised on financial products, assets operations and new market entries on the principle of banning foreigners from participating in them. It is very important that Japan changes its thinking about the control fundamentally and changes regulations into those that will work based on the principle of liberalizing the markets and on the principle of markets taking responsibilities.

Urging the government to revise its plan for deregulation earlier, the Keidanren presented its requests in a report entitled "In Request of a Practical Plan to Promote Deregulation Toward a Control-free Society" in November 1994 and a report entitled "Our Request for Revising the Deregulation Promotion Plan" in October 1995. Since then, some progress has been made in areas of banking, securities, and international finance, but there still is much work to be done.

The government must proceed to take actions for removing or easing regulations including the following:

- (1) Liberalization of the financial service to create competitive conditions for financial institutions;
- (2) Improvement of infrastructure for securities derivatives and diversification of techniques on creating liquidity for credits so that new products may be promoted and financial services be improved;
- (3) Liberalization of various public charges to lower marketing costs; and
- (4) Revision of the Exchange Law-related procedures in order to help companies launch international projects smoothly.

In next step in the future, aggressive reform should be made of major systems by revising the Banking Law, Security Trade Law, and the Exchange Law.

It is very important that the government changes its thinking on how the administration should be, stops being a protective control-oriented administration, and becomes a market-mechanism-heeding administration. In

fact, the administration has already laid a direction of actions to turn itself into a highly transparent administration, which will perform the functions of checking the markets but will reject discretionary acts by the bureaucracy. This direction should be faithfully followed for implementation.

## **2) Revision of the Tax System**

The tax system on the financial and securities service should be reformed from the perspective of having it conform to the international system and stopping the hollowing out of the financial and capital markets. The current securities transaction tax law which forces a circulation tax on customers should be abolished. There is no doubt that the tax is working as an impediment to the invigoration of the market. Such dual taxation on dividend income should be abolished also from the perspective of protecting individual shareholders.

While proceeding to revise the tax system on the financial and securities service, the government must also revise the income tax system in order to ease the burdens of the corporate tax which have grown excessively heavy in relative international terms and also to restore vitality to the economic community.

## **3) Improvement of the Short-Term Credit Market**

The Treasury Bill (short-term public bonds) market of Japan is small in terms of issued amount compared with the United States and other countries.

The amount in circulation is limited as well. Actions to build up the market are needed — like invigorating the short-term public bonds market and creating the futures market. To internationalize the yen, it is very important to make the Treasury Bills an attractive yen asset for non-residents. It is also necessary to revise the withholding tax system that is applied at the time of the Treasury Bonds issuance. This kind of tax exists only in Japan, and not seen elsewhere.

## **4) Rebuilding the Public Financing System**

If the nation wants to have financial and capital markets which work well on the market principle, it must assure free and fair competition by private financial institutions. In Japan there are now public financial systems that enjoy various benefits that are not allowed to private institutions. If these systems are left growing as they are, that will end up warping ties of business risks with interest rate, and the liberalization of the financial market can never make progress smoothly.

To take, for instance, the postal savings and the post office life insurance, which may be said to be at the "entry door" of the public financial systems, and the

policy-guided financing [seisaku kinyu] that may be said to be at the "exit door" of the systems, their weights in both the areas of personal savings and loans are unproportionately heavy. For instance, the outstanding postal savings ran to more than 212 trillion yen (at the end of 1995), which was more than one-third the total national personal savings. The total assets for post office life insurance exceeded 84 trillion yen (at the end of 1995), which represented 70 percent of the total assets of private-sector personal life insurance. The outstanding loans by the government-run financial institutions ran to 134 trillion yen (in September 1995), or about 15 percent of total national loans including those by the private financial institutions.

As far as the postal savings and the post office life insurance are concerned, actions to prevent them from growing further need to be taken by setting limits to deposit amounts and by imposing other limitations on business operations. In the future, the government should effect a change in the operations of the postal savings and the post office life insurance by splitting up and privatizing their business functions.

Drastic reform needs to be carried out on the policy-guided financing as well — by making policy goals for it clearer and by boldly withdrawing the program once the goals are achieved, and by realigning and integrating some government-run financial institutions. At present, the policy-guided financing is competing with loan programs of the private-sector financial institutions. The policy-guided financing should be provided only to support and supplement the private sector efforts.

## **Conclusion**

The financial industry of this nation should make efforts to restore trust in the nation's financial system by the people at home and abroad and to build up a market that investors and capital users will find easy to use, and thus to become an international financial center. In order to do that, it will have to first strengthen and build up its own body which has been exhausted using up its energy in dealing with the bad debt problems.

Meanwhile, the government should stand by its position of becoming a smaller government, and should learn to act as a supporter in helping the private sector perform to the best of its capabilities. The government should put priority on reducing and realigning its public financial systems, on abolishing and easing regulations, and on reforming the taxation system.

As pointed out times and again above in this paper, all of us must not forget that the future of Japan's industry or the whole Japanese economy will be determined

by whether the nation can succeed in invigorating the financial and capital markets or not.

### North Korea

#### DPRK: U.S., ROK 'Air War Drill' Against DPRK Denounced

SK2106033296 *Pyongyang KCNA in English*  
0327 GMT 21 Jun 96

[FBIS Transcribed Text] *Pyongyang, June 21 (KCNA)* — The U.S. imperialists and the South Korean puppets carried out a provocative joint nocturnal air war drill against the North of Korea in forward areas of Uijongbu, Pochon and Tongduchon, South Korea, near the Military Demarcation Line (MDL) on June 18 and 19, military sources said.

The exercise was aimed at preparing a surprise night attack at main operational and strategic targets in the North.

It involved scores of planes deployed in U.S. Air Force bases in South Korea from overseas bases, belonging to the Marine Corps of the U.S. Pacific Fleet, and 470 jet fighters of the U.S. Seventh Air Force based in South Korea and the puppet air force.

Meanwhile, a P-3 patrol plane flew to South Korea from an overseas base and streaked from Tokjok Islet on the West Sea [Yellow Sea] of Korea to the the East Sea [Sea of Japan] off Samchok for minutes on the 18th for the espionage on above and under the waters of the North.

We are keeping a close eye on the ill-boding military actions of the U.S. imperialists and the South Korean puppets in the air above areas near the MDL.

#### DPRK: Foreign Ministry Spokesman on Additional U.S. Food Aid

SK2106064496 *Pyongyang KCNA in English*  
0635 GMT 21 Jun 96

[FBIS Transcribed Text] *Pyongyang, June 21 (KCNA)* — The spokesman of the Foreign Ministry of the Democratic People's Republic of Korea answered a question put by KCNA today concerning the recent U.S. decision to give additional food assistance to the DPRK.

He told KCNA:

The Department of Humanitarian Affairs of the United Nations recently called for new food donation to the DPRK, which was hit by flood last year. In response to this, the United States of America on June 11 decided to grant 6.2 million dollars worth of food to the DPRK through the World Food Program.

The U.S. Government declared the food donation would be a purely humanitarian measure without any political strings.

We took note of the U.S. Government's decision on additional food assistance motivated by a humanitarian desire to help heal the flood damage, and we have decided to accept it with gratitude, regarding it as a measure of good will.

It is a noble trait of the Korean people to answer good with good.

We will respond with good will to the recent U.S. measure by conducting the humanitarian work for joint excavation of remains of U.S. soldiers under the recent agreement between the two countries.

These activities of the two countries will make a positive contribution to promoting the understanding between the DPRK and the USA and improving their relations.

#### DPRK: 'Perilous Arms Buildup' in ROK Means War 'Matter of Time'

SK2006140396 *Pyongyang KCNA in English*  
1005 GMT 20 Jun 96

["Perilous Arms Buildup" — KCNA headline]

[FBIS Transcribed Text] *Pyongyang, June 20 (KCNA)* — MINJU CHOSON today says the South Korean puppets, going against the trend of the time, have steadily increased the war budget and reinforced Armed Forces in a bid to start a war against the North.

In a commentary the daily recalls that the Kim Yong-sam group purchased a large number of weapons (?last year) with money three times more than in the previous year.

It says:

They, hell-bent on war preparations against the North, made public even a war plan dubbed "Five-Stage 5027 Operation," converted the southern part of the Demilitarized Zone along the Military Demarcation Line into a heavily armed area and a starting position for attacking the North and staged one war exercise after another under various codenames.

Due to such provocations they have committed in the whole area of South Korea, particularly, near the Military Demarcation Line, the situation of the Korean Peninsula has been become [as received] very tense and the outbreak of a war is now a matter of time.

The Kim Yong-sam group are trying to find a way out of their serious crisis in unleashing a war against the North, but it is a mistake.

We are keeping a close eye on their adventurous war provocation moves and will never allow them to infringe upon our sovereignty.

They must cool their heads overheated with war fever and behave themselves with discretion.

**DPRK: ROK Repatriation of 'Unconverted Long-Term Prisoner' Urged**

SK2006140596 *Pyongyang KCNA in English*  
1009 GMT 20 Jun 96

[FBIS Transcribed Text] Pyongyang, June, 20 (KCNA) — The International Committee for Release and Repatriation of Unconverted Long-Term Prisoners in South Korea sent an appeal to non-governmental and human right organizations of different countries on June 8, calling upon them to conduct various forms of support and solidarity movement for repatriation of Kim In-so, an unconverted long-term prisoner in South Korea, to the northern half of Korea and a powerful movement for protesting against South Korean embassies and authorities.

Kim In-so, who was taken prisoner in the Korean war, had been subjected to oppression and persecution in a POW camp and prison for 45 years and is now under surveillance of the South Korean authorities after his release from prison.

He has made a request for his repatriation upon the South Korean Red Cross and the International Red Cross Committee and asked the High Commissioner of the U.N. Commission on Human Rights for helping in his repatriation.

The South Korean authorities are dead set against his repatriation in disregard of an elementary international law, the appeal said, and stressed: The righteous intention of Kim In-so to go back to his family even in the evening of his life must enjoy sympathy and support from all non-governmental and human right organizations.

**DPRK: Japan's 'Maneuvers' To Become Military Power Decried**

SK2106023596 *Pyongyang Korean Central Broadcasting Network in Korean*  
0754 GMT 20 Jun 96

[Unattributed talk: "Japan's Dangerous Maneuver To Become a Military Power"]

[FBIS Translated Text] The Japanese reactionaries are frantically accelerating preparations for overseas aggression more than ever. The Japanese Government noisily raved about the possibility of an emergency in the Far East. The Japanese Self-Defense Force and U.S. Forces

recently held a working-level meeting and decided to jointly counter any emergency in the Far East. Japan is even attempting to take legislative steps for a full revision of the current regulations of the Japanese Self-Defense Force. This shows the extent of their frenzy.

An emergency in the Far East, in the Japanese reactionaries' terms, is an emergency on the Korean peninsula. The Japanese reactionaries are maneuvering more openly to justify strengthening their military power and overseas expansion, using the Korean peninsula as a pretext.

As everyone knows, Japan has become a leading military power in the world. The armed forces of the Self-Defense Force are prepared for an invasive war at any moment.

According to the data, as of 1990, the Air Self-Defense Force had 630 operational planes of various types; the Maritime Self-Defense Force had more than 60 destroyers and hundreds of ships; and the Ground Self-Defense Force had more than 1,300 tanks and 1,000 armored cars. It is not difficult to surmise how much stronger the Japanese Self-Defense Force has become today.

As indicated by the new defense program of the Japanese reactionaries, they aim at becoming a world military power in the next few years by modernizing the Self-Defense Force. Under the pretext of so-called potential and diverse dangers, the Japanese Defense Ministry restructured the divisions of the Ground Self-Defense Force and introduced the discharged officers system, with a view to making the Self-Defense Force more efficient and modernized in 10 years.

In addition, the reinforcement program for the Maritime Self-Defense Force has changed its focus from antisubmarine warfare to enhancing maritime warfare abilities. The Air Self-Defense Force's long-range operational abilities have also been significantly improved.

The Japanese reactionaries established a five-year arms reinforcement plan and allocated 7.2 billion yen in the fiscal year of 1995 for the purchase of next-generation multipurpose military aircraft from the United States. In the three years following 1995, Japan plans to squander 1 billion yen to deploy military aircraft equipped with new-generation radar detectors to the Self-Defense Force, and to develop the latest fighter planes.

On 22 May, the Japanese Diet officially adopted a law on establishing a comprehensive intelligence agency to unify and elevate espionage activities against other countries in order to integrate the overseas dispatching system for the Self-Defense Force.

Today, the Japanese reactionaries legally deploy the armed forces of the Self-Defense Force on a large scale to various places in the world and actively engage in military activities. This is one of their vicious maneuvers to accomplish their ambition of overseas invasion. The Japanese Self-Defense Force has designated operational areas in almost every Asia-Pacific region, and has sent forces of aggression.

The gravest aspect of Japan's maneuvers to become a military power is nuclear armament. The Japanese reactionaries have already secured enough plutonium to make thousands of nuclear warheads, and have made numerous warheads that only need to be equipped with nuclear fuel. Japan is also unceasingly conducting war exercises.

It is a general trend of the times to advance toward détente and peace. Nevertheless, the Japanese reactionaries are going counter to the trend of the times, and persistently pursue reinvasion. They are strongly denounced and rejected by Asian people and the international community.

Japan should not cling to maneuvers to become a military power with an objective of overseas invasion, but should apologize and compensate for their past war crimes. They should sincerely contribute to the cause of world peace.

**DPRK: Japan Must 'Repent' of Favoritism to ROK**  
*SK2106093196 Pyongyang KCNA in English*  
 0836 GMT 21 Jun 96

["Climax of Treason and Aggression" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 21 (KCNA) — NODONG SINMUN today carries a commentary 31 years since the South Korean puppets and Japan signed a criminal "agreement" on June 22, 1965. The "agreement" is a bargain of treason and aggression, the paper says, and continues:

The bargain is, in a word, nothing but a repetition of the "Ulsa Five-Point Treaty" in 1905.

The "Ulsa five traitors" sold off Korea totally to Japanese imperialism in 1905. 60 years later, the South Korean puppets, the second "Ulsa five traitors," sold off South Korea to Japan in return for some money. The Japanese imperialists concocted the "Ulsa Five-Point Treaty" in 1905 and made Korea their total colony, and in 1965, 60 years later, their descendants fabricated an "agreement" and took hold on South Korea. Indeed, it was an action of treason and aggression never to be seen again in the world.

As the "agreement" was based on treason and aggression, we did not recognise it from the outset but bitterly rejected it. This stand of ours will never change.

We cannot overlook Japan's moves against the DPRK which got all more undisguised after the signing of the South Korea-Japan "agreement."

The Japanese reactionaries argue about the validity of the 1965 "agreement." This is an insult to and mockery of the dignity of the entire Korean people. And it is a foolish and base move to justify the past crime of Japanese imperialism and evade the responsibility of state compensation and reparation.

We can never overlook the fact that Japan is putting its nose into the internal affairs of Korea and doing wrong while continuing to resort to the policy hostile to the DPRK and friendly to South Korea without liquidating the past.

Though belatedly, Japan should repent of its policy hostile to the DPRK, refrain from repeating such an act and act with discretion. This will be beneficial to Japan itself.

**DPRK: Yang Hyong-sop-led Delegation Visits Colombia**

*SK2006233796 Pyongyang Korean Central Broadcasting Network in Korean*  
 1300 GMT 17 Jun 96

[FBIS Translated Text] A DPRK Supreme People's Assembly (SPA), led by SPA Chairman Yang Hyong-sop, visited Colombia on 12-15 June.

During the visit, the delegation attended a plenary session of the Colombian Senate at the invitation of the Senate speaker; the head of the DPRK delegation delivered a speech before the Senators.

In addition, the delegation met with the speaker of the Colombian Senate, the state and education ministers, the vice foreign minister, and the first vice chairman of the Senate Foreign Affairs Committee, and had talks with them. He also attended a luncheon hosted by the Congress.

During a conversation with the delegation, the Senate speaker said: We highly assess the DPRK's efforts to prevent a war on the Korean peninsula and to achieve peace there. We hope that Korea will be reunified at an early date through independent and peaceful means. The Colombian Congress will make positive efforts to further develop friendship and cooperation between the two countries.

During a conversation with the delegation, the state minister said: We express our deep condolences over the

fact that the great leader His Excellency Kim Il-song, who had developed the Korean revolution and victoriously advanced it, unfortunately died. Even though His Excellency Kim Il-song died, since there is the great successor [widaehan hugyeja] who is excellently inheriting his ideology, everything is going well in your country. Respected His Excellency Kim Chong-il [chongyonghanun kimchongil kakha] is the people's leader [yongdoja] who embodies the gifted leadership [chonjaejogin yongdoryok] and much experience in the struggle. Because it is under his leadership, the DPRK is successfully achieving its goals and is not tolerating acts by the imperialists that infringe on its sovereignty and interfere in its internal affairs. We admire the DPRK's resolute position to defend its sovereignty. Under the imperialists' pressure, We seek to wage a positive struggle to defend national dignity, just like you. After returning from the DPRK, many lawmakers told me that the DPRK had brought about miraculous accomplishments admired by the people. We hope that Colombia will further develop the friendly relations with the DPRK as friendly neighbors, even though the two countries have different social and political systems.

**DPRK: Kim Chong-il Strengthens Role of Chuche, Party in Military**

SK2006145696 *Pyongyang Korean Central Broadcasting Network in Korean*  
1200 GMT 19 Jun 96

[FBIS Translated Text] In leading our party, Comrade Kim Chong-il, the great leader [widaehan yongdoja] of our party and people, has elucidated the outstanding ideology that when the party is powerful, when the Army is strong, and when the youth league is strong, there is no task that cannot be carried out and we can win victory in fighting against any formidable enemy. Thereby, he has wisely led the work of strengthening the People's Army under the party's leadership in every period and every phase of the developing revolution.

The respected and beloved comrade supreme commander presented a unique army building program to model the Army after the chuche idea, and he has seen to it that under this army building program political indoctrination work is vigorously carried out in the People's Army so that a military command system, in which the entire Army moves as one under the party's unitary leadership, can be thoroughly established. He has also seen to it that the military equipment of the People's Army is constantly strengthened so that its combat ability can be consolidated into invincibility.

The respected and beloved comrade supreme commander, who trusts and identifies the People's Army as the core unit in consummating the chuche revolutionary

cause, has invested great zeal and energy in strengthening our revolutionary armed forces by all means to cope with the anti-Republic and antisocialist maneuvers by imperialists and reactionaries in firmly deepening the defense line of our fatherland into an impregnable fortress, and in ensuring that an atmosphere of attaching importance to the military and laudable custom of unity between the Army and the people are further enhanced in our whole society.

The respected and beloved comrade supreme commander's on-the-spot guidance to all frontline areas, including the east, middle, and west frontline sectors, conducted this year following last year, as well as his recent inspections of the units of the People's Army defending the east coast area, were events which have opened up an occasion of a momentous turn in strengthening the combat preparedness and capabilities of the People's Army. They will shine forever as immortal events in the history of building our revolutionary armed forces.

**DPRK: Kim Chong-il Lauded as 'Great Statesman'**

SK2106113996 *Pyongyang Korean Central Broadcasting Network in Korean*  
0900 GMT 20 Jun 96

[Unattributed talk: "The Respected and Beloved Comrade Kim Chong-il Is a Great Statesman With Extraordinary Wisdom"]

[FBIS Translated Text] Today, our socialist fatherland is taking pride in its grand appearance to the world as a powerful state in ideology and a big power in politics. Our country is victoriously pioneering the road toward socialism and communism, holding aloft the red flag of the revolution while bravely competing with the allied forces of the world's imperialists to honorably defend the nation's sovereignty and dignity. This is totally because we uphold the great leader [yongdoja] Comrade Kim Chong-il at the head of the party and the revolution.

Respected and beloved Comrade Kim Chong-il [kyong-aehanun kimchongil tongji] is a great statesman with extraordinary wisdom.

The great leader Comrade Kim Il-song has taught: Comrade Kim Chong-il is the people's genuine leader [yongdoja] who is equipped with knowledge, military quality, as well as loyalty and filial piety. He is an excellent ideologist, theorist, and statesman; a military strategist; and a model of the loyalists and dutiful sons who are devoted to their parents.

Since his early days of leading our party and the revolution, the great leader Comrade Kim Chong-il, who possesses extraordinary wisdom, has scientifically illuminated the victorious road toward socialism and

created a brilliant model in socialist construction. Thus, he has enjoyed high respect and praise from the people as a great statesman and excellent leader [yongdoja] who is farsighted.

As a great statesman, the respected and beloved Comrade Kim Chong-il has, first of all, scientifically looked into the demands of the developing times and revolution with his extraordinary wisdom, presented correct lines and policies at every period of the revolution and construction, and wisely led the struggle for their realization.

Politics is a social function that organizes and commands people's activities in conformity with the common interests of a class or a society. Accordingly, the basis of politics is to present and implement lines and policies. Therefore, a statesman's wisdom finds expression first in mapping out lines and policies, and his greatness is ascribed precisely according to how correctly he maps out the lines and policies.

Through his farsighted wisdom and scientific insight, creative thinking, and energetic studies, the great leader Comrade Kim Chong-il always looks into the distant future further than anyone else; sagaciously fathoms the aspirations and desires of the popular masses and the inevitability and demands of the times and the developing revolution; and maps out and presents the most correct line, strategies, and tactics at every phase and period of the revolution and construction.

The respected and beloved Comrade Kim Chong-il has concentrated great zeal and energy on mapping out the socialist, communist construction program, which is a correct struggle program in inheriting and consummating the great leader's [suryongnim] revolutionary cause.

Only when a correct struggle program is mapped out can scientific strategies and tactics be prepared based on this program at every phase of the developing revolution and the revolution and construction be led in a goal-oriented way.

In the meantime, the international communist movement had failed to present a correct socialist, communist construction program until that time. Because of the lack of a correct socialist, communist construction program, quite a few parties that were building socialism in the past had to undergo failure and vicissitudes in socialist construction.

Presenting a correct socialist, communist construction program has become an urgent, vital problem related to the destiny of the cause of socialism.

The demands of the times for presenting a correct socialist, communist construction program have been

brilliantly solved with the great leader Comrade Kim Chong-il's presentation of the program for modeling the whole society after the *chuche* idea.

With the respected and beloved general's presentation of the program for modeling the whole society after the *chuche* idea, a perfect communist construction program — which has elucidated the clear appearance of a communist society, the demands of the realities of a communist society, its inevitability, the course toward achieving it, and the fundamental means for its birth — has been provided.

The struggle to realize the program of modeling the whole society after the *chuche* idea is the work of pioneering an untrodden road of history amid the fierce struggle against class enemies at home and abroad. Therefore, in the course of this struggle, an unexpected, complicated situation may be created, and difficult barriers and trials may emerge.

In the struggle to realize the program of modeling the whole society after the *chuche* idea, the great leader Comrade Kim Chong-il always looks ahead to the distant future and foresees future developments with his farsighted wisdom and extraordinary insight, and he has presented lines and struggle slogans in a timely manner. Thus, he has led our revolution to the single road of victory without the slightest degree of deviation or vicissitude.

The respected and beloved Comrade Kim Chong-il is also a great statesman who is leading the revolution and construction to victory by firmly grasping as the key task the strengthening of the party and the enhancement of the party's leadership role.

The working class party's leadership is the lifeline of the cause of socialism. Leading the revolution and construction by firmly grasping it as the key task to strengthen the party and enhance its leadership role was a wise step that could be taken only by the respected and beloved general, who possesses matchless, extraordinary wisdom.

To strengthen the party and enhance its leadership role, the great leader Comrade Kim Chong-il presented a party-building program to model the entire party after the *chuche* idea, and he has energetically led the struggle to realize the program. Through the struggle to realize the program to model the entire party after the *chuche* idea, our party has been strengthened and developed into an iron-willed party in which the entire party is firmly united as one mind and possesses strong organizational and ideological foundations, into the general staff of the revolution which leads the *chuche* revolutionary cause down the single road of victory through its tested

leadership arts, and into an invincible party which has taken deep root in and is firmly united with the popular masses.

That the respected and beloved general has strengthened and developed our party into the great leader Comrade Kim Il-sung's party and extraordinarily enhanced its leadership role has become a decisive guarantee that makes it possible to successfully carry out socialist politics.

Because the great leader Comrade Kim Chong-il has carried out politics while firmly grasping strengthening the party and enhancing its leadership role as the key task, organs of power and public organizations have been strengthened and their role has been enhanced. As a result, the main force of our revolution has been extraordinarily strengthened. At the same time, a new change has been effected not only in party work, but also in all fields, political, economic, cultural, and military. Great innovations and upsurges have also been effected in all fronts of socialist construction.

The respected and beloved Comrade Kim Chong-il is also a great statesman who has created a brilliant model for socialist politics by enforcing the genuine politics for the people, the politics of benevolence, with his noble love for the people and his extraordinary wisdom.

Creating politics in conformity with the inherent nature of socialist society is an important problem which is presented anew after the socialist system is established.

However, while clinging to the old theory that politics is governed by the economic system and believing that once a socialist system is established the problem of creating socialist politics can be easily solved, the leaders of many countries that were building socialism in the past, failed to pay due attention to recreating politics suitable to the inherent nature of socialist society. As a result, these countries followed the way of the old society's politics and finally suffered the grave consequence of destroying their popular masses' cohesion and unity.

Socialism is a totally new path, and it is very difficult and complicated to recreate inherent socialist politics. In other words, the creation of inherent socialist politics can be solved only by those socialist political leaders who possess brilliant wisdom, excellent leadership ability, and noble virtues.

Based on his scientific analysis of the relationship of people in socialist society and his extraordinary wisdom, the respected and beloved general elucidated in a unique manner that the essence of socialist politics lies in love and trust. Based on his profound explanation of the essence of a socialist regime and his scientific analysis

of the inherent demands of socialist society, Comrade Kim Chong-il has prescribed the politics of benevolence as the way of politics in the socialist society and brilliantly embodied it.

The respected and beloved general who created the politics suitable to the inherent nature of the socialist society has wisely led the struggle to build the party and the government of the working class into the people's servants.

Thanks to the respected and beloved general's wise leadership, our party has been built into the motherly party [omoni tang], and our people's government has become the genuine servant for the people. Thus, all of their activities are unfolding from the infinite love and trust in the people.

Through his extraordinarily wise and excellent leadership ability, the great leader Comrade Kim Chong-il is not only leading our revolution to the single road of victory, but is also wisely leading the socialist cause of the world, the cause of mankind's independence.

In recent years, socialism was frustrated and capitalism was restored in some countries. Taking advantage of this, the imperialists and reactionaries clamored as if capitalism had won the victory and socialism had ended, thus causing ideological confusion among some people and creating a serious aftermath in the development of the world's revolution.

Elucidating the correct road to find a lesson in the prevailing situation, to rebuild the socialist movement on a new foundation, and to lead the cause of socialism to an upsurge became an important problem related to the fate of the cause of socialism and mankind's future.

This important problem which was related to the destiny of the socialist cause has been brilliantly solved as the great leader Comrade Kim Chong-il deeply grasped the truth of the prevailing situation with his far-sighted wisdom and extraordinary insight, scientifically analyzed the cause and lesson of the frustration of socialism and the restoration of capitalism in some countries, and, thus, has given the most correct answers to the principled problems which arose in rebuilding the socialist movement on a new foundation and in leading the socialist cause to an upsurge.

Today, the people of the world are praising the great leader Comrade Kim Chong-il, calling him the sun of socialism, the excellent leader [yongdoja] of the cause of independence, the leader [suryong] who will lead the 21st century, and the lodestar of the 21st century. They are also absolutely entrusting their destiny and the future of the world to the respected and beloved general.

Indeed, upholding respected and beloved Comrade Kim Chong-il is precisely the pride of Korea and the glory of the world.

We will cherish deep in our hearts the great national dignity and honor of upholding respected and beloved Comrade Kim Chong-il as the great leader [yongdoja] and will more vigorously fight for the inheritance and consummation of the chuche revolutionary cause and for the victory of the socialist cause of the world, the cause of mankind's independence, under the leadership of the respected and beloved general.

**DPRK: NODONG SINMUN Lauds 'Wise Leadership' of Kim Il-song**

SK2106104196 Pyongyang KCNA in English  
0819 GMT 21 Jun 96

["Comrade Kim Il-song's Leadership, Wisest and Scientific Guidance" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, June 21 (KCNA) — The nearly 70-year history of the leadership of the Great Leader Comrade Kim Il-song is a history of the wise leadership of an outstanding leader who led the revolution only straight to a road of victory without any mistake and deviation in lines, says NODONG SINMUN in a signed article today.

The Great Leader Comrade Kim Chong-il said:

"The leadership of the great leader is wisest and scientific guidance."

The paper notes:

Comrade Kim Il-song is the great leader who had led the revolution and construction with his wisest and scientific guidance without any mistake for a long time.

The wisdom and scientific accuracy of his leadership was found in leading the revolution and construction, with his clairvoyant, extraordinary intelligence.

He looked far ahead in working out lines and policies and planned, operated and led anything, out of consideration for the practice of the Korean revolution and demands of the people.

The scientific accuracy and wisdom of his leadership was powerfully demonstrated in doing beforehand what should be done in the future and laying firm foundations for future development.

His foresighted leadership is clearly seen in successfully settling the question of inheritance of the leadership of the Korean revolution. Today the Korean people are struggling to accomplish the revolutionary cause of chuche, united close around Comrade Kim Chong-il.

This great reality is unthinkable without the brilliant foresight of Comrade Kim Il-song.

The scientific accuracy and wisdom of his leadership lies in the fact that it is the comprehensive leadership reaching all the domains of the revolution and construction.

He had wisely led all domains from politics, economy, science, education and military affairs to literature and art with his uncommon attainments.

He knew no impossibility in leading the revolution and construction and solved all the matters smoothly. He gave lucid answers to any questions arising in the revolution and construction.

The wisdom and scientific accuracy of his leadership was also manifested in working out lines and policies in conformity with the desire and demand of the popular masses and in organising and leading the masses to their implementation.

Saying that the first capability of a revolutionary is to know the masses and set in motion their strength and intelligence, he found himself among them to begin the revolution. It is his steadfast creed that what is omniscient and omnipotent in the world is not god but the popular masses.

Shining on the road of his on-the-spot guidance is his scientific leadership in solving all the matters in the revolution and construction by relying on the masses and mobilizing their strength and intelligence.

Today the wise and scientific leadership of Comrade Kim Il-song is being brilliantly realized by the respected General Kim Chong-il.

**DPRK: Daily Warns Against 'Delusions of Capitalism'**

SK2106005296 Pyongyang NODONG SINMUN  
in Korean 14 May 96 p 6

[Article by Choe Hak-chol: "Delusions of Capitalism Will Ruin Socialism"]

[FBIS Translated Text] A man who loves and treasures his belongings, who is confident in the justness of his cause, and who is not interested in others, will never give up his belongings under any situation. On the other hand, those who look at what belongs to others and who are interested only in others cannot properly see their own belongings and easily abandon them, no matter how excellent and precious they are.

Some countries in which socialism was being built forgot the preciousness, gratitude, and incomparable superiority of socialism; discarded socialism for delusions of

capitalism; and have returned to capitalism. This grieving reality once again proves the truth mentioned above.

The great leader [yongdoja] Kim Chong-il pointed out:

"Fascinated by delusions of capitalism, today's revisionists have completely dumped principles of socialism and have accepted the political and economic principles of capitalism. As a result, socialism has been frustrated while capitalism has been restored."

Socialism is the most superior society befitting the independent nature of human beings.

The superiority of a socialist system depends on how greatly the independence of the popular masses is protected, and on whether the people's desire for independence is realized. A socialist society is the most superior social system which puts an end to exploitation of people by people, and which enables the ordinary working masses to become the owners of the state and society as well as to enjoy independent and creative lives.

No matter how excellent a socialist system is, if the people do not make efforts to glorify it, but absent-mindedly draw upon capitalist elements, then socialism will be doomed. The betrayers of socialism in those countries that were building socialism fostered delusions of capitalism and openly carried out antisocialist maneuvers instead of indoctrinating the people in socialist ideas and the superiority of its system.

Most of all, the betrayers of socialism were so dazzled over "freedom," "democracy," and "equality" in the capitalist society that they modified socialist state management organizations, capitalizing them. Worshipping Western political systems as a "sample democracy," those traitors of socialism used every means of manipulation to destroy socialism and build a capitalist state organizational system under the slogan of "reform [kae p'yon]." They plainly accepted the bourgeois constitutional state theory represented by the "separation of the three powers of government— legislative, executive, and judicial"; the "multiparty system"; "the neutralization of public officials and the military"; and "the legal security of freedom of individuals." By doing so, they tried to capitalize the political relations of society.

With such a goal, a commotion occurred exaggerating and criticizing some shortcomings shown in the process of socialist construction. The betrayers of socialism slandered the socialist system as "a totalitarian system," "a military camp-style society," and "an administrative order-style system." They issued distorted propaganda as if the capitalist system were a democratic society in which human characteristics are fully developed, but kept silent about the fact that under a capitalist system,

bourgeois rulers are not the true representatives of the working popular masses, but consider the masses a mere target of their politics, exploitation, and plunder.

The betrayers of socialism claimed that socialist countries "should be reborn from a totalitarian country to a democratic one," and were bent on accepting bourgeois parliamentary politics.

In their bid to "restructure" [kaepyon] the socialist government system into a capitalist one, parties of the working class became the first target of attack.

The betrayers of socialism came up with the sophism to "separate the functions of the party and government agencies" and paralyzed the Communist Party's leading functions, turning the Communist Party into an ordinary party. In the former Soviet Union, they abolished Article 6 of the Constitution confirming the Soviet Communist Party's leading role, and according to the "social organization law" adopted at the end of 1990, the Communist Party was officially registered with the Justice Ministry and fell under the control of the ministry.

The betrayers of socialism raved that the enactment of the "social organization law" officially opened the multiple party era in the Soviet Union." Thus, the Soviet Communist Party was downgraded to an ordinary party that has to compete with other parties in elections, and was eventually disbanded.

Such heart-breaking tragedies took place in other countries as well. Communist and workers parties were sacrificed to the bourgeois multiple party system and lost their leadership over society. They were reduced to opposition parties or disbanded.

Blinded by the "material prosperity" and "abundant life" of capitalism, the betrayers of socialism introduced the capitalist market economy. Saying that the socialist economic management system was a "bureaucratic" system that "paralyzed" the people's motives, they gradually destroyed their countries' unified central-controlled planned economic management system. In the former Soviet Union, the "private labor law," "family and collective lease contracts," and the "law on state enterprises (complexes)" were adopted to encourage private business. Enterprises were given conditions in which they were not controlled by the state and can conduct production and management activities in their own way. They also distorted facts, alleged that a series of economic shortcomings were caused by the socialist economic system, and sought to introduce a market economy. At that time, a Soviet vice prime minister said "this is the last opportunity history will give socialism

to transit to a market economy," and openly said a market economy would "rescue the sick economy" and bring "prosperity."

The "300-day program" written by the betrayers of socialism was a radical plan to return to capitalism and introduce a capitalist market economy. The plan called for currency reform, price liberalization, privatization, the introduction of a stock system, and the introduction of a new tax system. The principal author of this program said he did not care if reform led to a revival of capitalism in the Soviet Union.

The betrayers of socialism openly slandered the socialist political and economic system and maneuvered a return to capitalism. However, many who harbored delusions of capitalism failed to conceal their vicious reactionary nature.

A U.S. reporter professed shock at the fact that former socialist countries, harboring delusions of capitalism, were destroying their own socialist system; he ridiculed those countries, describing them as "tree climbers who try to chop off the branch they are sitting on."

Today, when socialism has collapsed and capitalism has been revived, people have realized what price they are paying for harboring delusions of capitalism and for frantically introducing "democracy," a "multiparty system," and a "market economy." The "gifts" people received after returning to capitalism were social and political chaos; economic catastrophe; unemployment; rampant horrific crime; the destruction of the socialist morality; and the miserable situation in which people who had justly exercised their rights as masters of their country and society have been deprived of their political rights and socialist benefits, and as a result, have been discarded by society.

As all this shows, delusions of capitalism will destroy socialist construction, and what the people get from it is misfortune, pain, and shame.

The people of those countries that have returned to capitalism deplore the fact that they, lured by the deceptive scheme of the betrayers of socialism, harbored delusions of capitalism and quickly abandoned their valuable socialist system. They miss the days when they were under socialism.

### South Korea

**ROK, U.S. Fail To Solve Dispute on Agricultural Inspection**

SK2106083596 Seoul YONHAP in English  
0716 GMT 21 Jun 96

[FBIS Transcribed Text] Seoul, June 21 (YONHAP) — South Korean and U.S. officials met in Geneva Thurs-

day to settle a dispute over South Korea's agricultural import inspection system but failed to find a solution, Foreign Ministry spokesman So Tae-won said Friday.

U.S. officials complained that the current inspection and quarantine system in South Korea discriminates against imported farm products, according to the spokesman.

The United States also claimed that South Korea has been delaying inspection procedures without any justification.

It took issue with the current inspection system in which all imported agricultural products must be inspected unlike domestically produced farm products.

South Korea, however, explained that it will continue to try to improve its inspection and quarantine system but will not blindly adopt those of other countries including the United States.

The two countries will soon decide whether or not to form a WTO panel to settle the dispute or to continue to try to solve the issue through bilateral negotiations.

The United States brought the issue before the WTO May 24, and demanded that South Korea discontinue its discriminatory practices against agricultural imports.

### ROK: USFK Replacing Cobra Helicopters With Apache Attack Models

SK2106051896 Seoul YONHAP in English  
0510 GMT 21 Jun 96

[FBIS Transcribed Text] Seoul, June 21 (YONHAP) — The United States Forces Korea (USFK) is replacing its AH-1 Cobra helicopters with more advanced AH-64 Apache attack models, an announcement said Friday.

As part of its reorganization of its helicopter fleet, a USFK press release said, the USFK would add a brigade corps-level aviation headquarters and theater airspace command and control unit and reassign existing Apache battalions to the headquarters.

The headquarters will be located at Camp Humphrey in Pyongtaek, Kyonggi Province, from its current site at Mt. Hood, Texas, and will activate on July 16.

The reorganization does not significantly change the strength of the USFK, it said, but does add certain capabilities unavailable with its older aircraft.

The USFK said that the reorganization of their helicopter fleet has nothing to do with recent events on the Korean peninsula.

**ROK: DPRK Military 'Important Variable' in Foreign Negotiations**

*SK2106053396 Seoul CHUNGANG ILBO in Korean*  
21 Jun 96 p 4

[Report by reporter Kim Yong-ho]

[FBIS Translated Text] The DPRK military—the National Defense Commission, the Ministry of the People's Armed Forces, and the party Military Commission, which are known to have strong conservative characteristics—is exercising considerable influence over North Korea's policy toward the United States.

Apart from the Foreign Ministry, the military carries out military diplomacy as well as independent foreign trade, such as the sale of weapons. Since the military occupies a superior position within the power hierarchy, its influence sometimes plays a decisive role in directing negotiations.

In late 1994, two months after the nuclear negotiations was concluded between the DPRK and the United States, an incident occurred in which a U.S. military helicopter crossed the armistice line and was shot down.

At that time, considering the special sentiment Christmas has in the United States, Washington concentrated its diplomatic efforts on obtaining before Christmas the release of Warrant Officer Bob Hall, who was detained in the North. At that time, the negotiating delegate for the United States was Congressman Bill Richardson, who was visiting North Korea. Congressman Richardson, who conducted negotiations with North Korea, was optimistic that Bob Hall would be released before Christmas, but his efforts ended in failure. It was agreed to release him after Christmas and before the end of the year.

This was the result of Congressman Richardson holding contacts mostly with Foreign Ministry officials and of his negligence of the strong military, which kept Bob Hall in custody.

The military released him only under the direct orders of Kim Chong-il. Through this incident, North Korea's military firmly displayed its existence to the United States.

Experts on North Korean affairs feel that just like North Korea's openness and reform, the attitude of the de facto leaders of the North's military will be an important variable in the speed of normalizing relations with the United States.

**ROK Daily Views Nongovernmental Assistance Toward North**

*SK2106082796 Seoul CHUNGANG ILBO in Korean*  
21 Jun 96 p 6

[Editorial: "Do Not Restrict Nongovernmental Assistance Toward the North"]

[FBIS Translated Text] It is predicted that friction between the government and nongovernmental organizations regarding the method of assisting North Korea will become serious. Even though the government revealed its policy of viewing the ROK Red Cross Society as the single nongovernmental channel for helping the North, there are many organizations attempting to carry out relief activities independently. In spite of the single channel policy, a nongovernmental organization has already entrusted 16 million won to UNICEF, thus creating friction. To help North Korea's flood victims, on 19 June the YMCA started a nationwide campaign to gather 1,000 sacks of rice, which the government eliminated.

Therefore, the government decided to ask some 70 domestic related-organizations that have the possibility of carrying out aid toward the North to abide by the government's policy. It is even discussing the possibility of taking strong measures, such as legal measures, if these nongovernmental organizations carry out assistance directly or through an international organization, and not the ROK Red Cross Society.

Of course, it is good if the government's single channel policy is realized. It will help the government's policy to apply this as a lever so that North Korea responds to South-North dialogue. It could also symbolize that there is no dispute or friction between nongovernmental organizations and the government.

However, since it has already been revealed that the government's restraints on nongovernmental assistance toward the North is not practical, the government took measures to ease this. Nevertheless, the problem lies in the fact that the government continues to insist on a single channel policy. In particular, when viewed from an international viewpoint, the Red Cross, UN organizations such as UNICEF, and relief organizations are no different. If measures are taken just because relief activities were carried out through UNICEF, we will only be an international laughing stock.

It is true that there are problems in the nongovernmental organizations. It is not desirable for each organizations to carry out peculiar behavior as if to show they are competing in giving assistance to the North. It is good if we send food to North Korea, but we should consider whether it should be carried out by running counter to

the government's policy. It is necessary to cooperate so that it does not deviate greatly from the great framework of the nation's policy.

Considering that nongovernmental food assistance is only at a minute level that cannot fundamentally resolve North Korea's economic crisis, it would be good if the government dissolves restrictions that give the impression of exercising restraint if assistance toward the North is carried out.

**ROK: PRC Reportedly Asks DPRK To 'Halt' Exchanges With Taiwan**

SK2106010196 Seoul THE KOREA HERALD  
in English 21 Jun 96 pp 1, 2

[FBIS Transcribed Text] TOKYO (YONHAP) — China formally asked North Korea early this month to halt its growing exchanges with Taiwan, the newspaper SANKEI SHIMBUN here reported Thursday.

The asking, it said, came as North Korea moves to expand its relations with Taiwan, largely in the economy area, by sending, for instance, a vice-minister-level emissary to Taipei shortly.

Quoting a diplomatic source in Hong Kong, the SANKEI report said Chinese Foreign Minister Qian Qichen made the urging to visiting North Korean Vice Foreign Minister Choe U-chin.

It said that Qian, while strongly demanding Pyongyang's respect for the "One China" principle, asked Choe to suspend his country's exchanges with Taiwan.

Minister Qian promised Choe that China would expand economic support to North Korea, making it express that "China is displeased" at North Korea's intent of expanding relations with Taiwan.

The Chinese minister also asked Choe to explain about economic cooperation North Korea discussed with Taiwan during the visit to Pyongyang by a Taiwan province delegation late last month.

In response, Choe explained about his country's food crisis and expressed his country's wish to promote economic relations with Taiwan, the report added.

**ROK: Kim Yong-sam on World Cup, Relations With Japan, DPRK**

SK2106021496 Seoul YONHAP in English  
0118 GMT 21 Jun 96

[FBIS Transcribed Text] Tokyo, June 21 (YONHAP) — President Kim Yong-sam has stressed that the co-hosting of the 2002 World Cup Soccer finals with Japan should provide momentum for new Korea-Japan relations, the TOKYO SHIMBUN reported Friday.

President Kim made the remarks in an interview with the Japanese daily's President Hirohiko Oshima at the Chongwadae [presidential offices] presidential mansion Wednesday [19 June], three days before Japanese Prime Minister Ryutaro Hashimoto is scheduled to visit South Korea.

The president expressed his determination to restore relations between the two countries which have been strained recently by historical and territorial issues, the daily said.

The paper quoted Kim as saying, "Korea and Japan have had an unfortunate past and mutual understanding has not yet reached a satisfactory level. My basic idea is to develop our relations in a future-oriented manner looking squarely at the past."

"The World Cup is an opportunity from heaven," Kim said. "It would be beneficial to the peoples of the two countries to use the co-hosting as an opportunity to discuss broadly mutual cooperation."

He admitted that there are various problems involved with sharing of the World Cup finals but said, "What matters, however, is the will and determination of the two countries to co-host the event."

Regarding the basic stance of South Korea's foreign policy, Kim explained that the United States and Japan are the pillars of Seoul's international relations. He noted that his country is joining efforts with Japan in the international community, particularly in Asia, but stressed that "in this respect it is important for Japan to be respected by all world countries."

Kim expressed serious concern about North Korea, saying, "Because the North's problem is a matter of structure, outside aid will not be a solution no matter how big it is."

North Korea will not be able to overcome its present political and economic difficulties unless the North Koreans themselves pursue structural reform and abandon their hostility toward the south, Kim observed.

Kim again urged Pyongyang to accept the four-way Korean peninsula peace talks that he and American President Bill Clinton proposed in April.

Kim declined to go into detail when asked about who will be the ruling party's next presidential candidate, saying, "The most important thing for us to do now is to devote ourselves to administering state affairs."

**ROK: High-Level Defector on DPRK Military  
(Part 6)**

962C0038A Seoul CHOSON ILBO in Korean  
12 Feb 96 p 2

[Interview with DPRK defector Col Choe Chu-hwal by To Chun-ho, sixth of seven installments; place and date not given; questions edited out of Choe's responses: "Using Workers, Military Personnel To Earn Foreign Exchange"]

[FBIS Translated Text]

**Armed Forces Ministry Operates 24 Trade  
Companies**

In North Korea [NK] earning foreign currency is called "making money at the exchange." The term refers to the practice by NK workers engaged in earning foreign currency frequently to visit exchanges to convert foreign currency they have diverted for their own use. Military workers involved in activities to earn foreign currency are no exception. At first they work honestly because they are military men, but that changes once they've learned the business, in about three years.

The Ministry of the People's Armed Forces [MPAF] operates 24 trade companies to earn foreign currency. I was assigned to the Yungsoong Trading General Bureau (Senior Col Yi Sok-hyo, president), which was second in amount of business to Maebong Trading. Yungsoong directly operates five fisheries, and its subsidiaries are the Yungsoong Shipping Company, the Sinjin Joint Venture Company, the Tongbang Asia Joint Venture Company, the Clothing Processing Plant (Factory 1046), the Haeju Rice Straw Factory, and the Haeju Gold Mine. Three of the fisheries are located on the east coast, the Chongjin Pickled Sea Urchin Station, which exports sea urchin eggs to Japan; the Hamhung-Sinpo Fisheries Station (pollack and squid); and the Wonsan Fisheries Station (flatfish); and two of the fisheries are located on the west coast, at North Pyongan Province's Onchon (cultured shellfish) and at Sinuiju. The Yungsoong Shipping Company operates four 3,750-ton class trading vessels, the Taesongsan, the Yungsoong No. 1, the Yungsoong No. 2 and the Yungsoong No. 3; while the Sinjin Joint Venture Company makes latamis and exports them to Japan. The Tongbang Asia Joint Venture Company raises lima beans in Russia's Nakhodka with Russia's Aisti [name as transliterated] Company.

Yungsoong's 1995 export target was set at \$10 million, but in August that was scaled back to \$7 million due to the export slump. The MPAF's overall export target was set at \$70 million, but that, too, was reduced due to the unexpectedly bad export performance.

Maebong Trading itself is neither large nor does it have a large number of employees, but it exports the trade goods the corps is required to produce, making its overall trade volume the largest. Maebong is the only MPAF trading company with overseas branches.

Maebong Trading's overseas branches are located in Moscow, Kirkis [name as transliterated], Yenchu, and Kwangju. To help reach the military's export quotas, front-line units culture, harvest, or grow marine and forest products, mostly marine products. The units produce many kinds of marine products, including shellfish and fish, pollack, flatfish, large clams [Meretric meretric lusoria], Scapharca broughtonii [a shellfish], lugworms [Nereis japonica], and glass eels. The glass eels bring about \$9,000 per kilogram, the highest export price of any marine item.

The focus on production imposes much suffering on frontline units' enlisted personnel. They must go to sea to harvest clams or to catch pollack even in the coldest weather, and even when they work at fish farms, the rate of product pilferage is high. Drowning is frequent.

**Products From Fish Farms Stolen**

Command and control of these activities at frontline units are exercised by the Section-In-Charge of a headquarters' Organization Department, which in turn is controlled by the corps' 25th Department. Maebong Trading exports the marine products and other goods produced by frontline units, working through the corps' 25th Departments.

The General Staff's 44th Department exercises overall control of the MPAF's ventures to earn foreign exchange. The 44th Department plans the military's foreign exchange earning enterprise, determines the type of business each trading company pursues, and coordinates the overall undertaking. The Section-In-Charge of Foreign Exchange of the General Political Bureau's Organization Department directs the military's effort to earn foreign currency.

The KPA's Prosecution Bureau has intensified its investigations as corruption has increased recently in the military's projects to earn foreign currency.

The "Division-In-Charge of Foreign Exchange Earnings" of the KPA's Prosecution Bureau was launched with the widespread appearance of corruption in the foreign exchange earning effort.

The scale of early corruption was relatively small, but serious cases involving senior flag officers are coming to light.

One example is the 1990 incident that involved even the director of the MPAF's Financial Bureau. The Financial Bureau director superintends the foreign exchange earning activity of the Yalu River College, Reconnaissance Bureau, KPA. His wife's brother greedily set his cap to make money from this foreign exchange earning activity, and so loaned \$3,000 in U.S. currency to his brother-in-law, the Financial Bureau director.

The director used this money to pursue personal business in foreign exchange, making money for a period, repaying the loan, and then reborrowing the money and repeating the maneuver. He was found out. They searched his home and referred him to court martial after they found a kilogram of gold and a large amount of U.S. currency hidden under his sofa. The Financial Bureau director's brother-in-law was executed — shot to death — and the director himself received a 15-year sentence.

Recently in the 6th Corps, moreover, five or six men of general officer rank — including a member of the 6th Corps Political Committee, the director of the Political Department, and the deputy corps commander — and a number of workers expert in earning foreign exchange plotted to smuggle opium with the North Hamgyong Province party secretary for organization and the director of the North Hamgyong Province bureau of the Ministry of Public Security. They illegally obtained a huge amount of dollars.

#### **Many Punished for Making Money at the Exchange**

They each made \$50,000-60,000 and hid it in their residences, but the deputy director of the 6th Corps Department of the Ministry of State Security belatedly got wind of the smuggling and exposed it. The incident sparked a serious political problem.

In about 1991 Senior Col Sia Chae-kwon of the MPAF's 26th Department, the forerunner of Maebong Trading, failed to remand to the state dollars submitted by foreign exchange earnings workers, diverting the money instead for his personal use. He used the money to purchase and hide 7.6 kilograms of gold. He was exposed and given a 15-year sentence.

To redress its dollar shortfall, NK has assigned even military personnel to the foreign exchange earning enterprise, and the result has been the emergence of corruption of every kind from ranks at every level.

#### **ROK: High-Level Defector on DPRK Military (Part 7)**

962C0038B Seoul CHOSON ILBO in Korean  
13 Feb 96 p 2

[Interview with NK defector Col Choe Chu-hwal by To Chun-ho, seventh of seven installments; place and date not given; questions edited out of Choe's responses: "Military Units Raise Soybeans Due to Shortage of Side-Dish Rations"]

[FBIS Translated Text]

#### **Rations Often Diverted**

There is a great difference between staple rations and side-dish rations supplied to North Korean [NK] military personnel. Staple rations are supplied relatively smoothly, but that is not the case with side-dish rations. Staple rations — 70% rice and 30% lesser grains — are supplied to personnel from the enlisted ranks through battalion commanders at the rate of 800 grams per person per day, while regimental commanders and flag officers receive 700 grams per person per day. These amounts generally are observed for units in both the front and rear, but problems sometimes occur because delivery of staple rations is delayed for some units located at the front. Rations are delivered once each month, and when they do not arrive on schedule, the unit can resolve the resulting shortage by acquiring corn on its own or by reducing rations. In some units, moreover, problems arise in the ration distribution process or company senior sergeants (senior noncommissioned officer) divert rations.

These things do not happen at all units, however. When circumstances are such that ration trucks cannot reach units, some commanders send soldiers to pack the rations in and then distribute them, and this process is supervised and inspected carefully to guard against charges of diversion. There are no difficulties over the staple ration in units like these, but units which do not do this, experience temporary ration shortages.

By regulation, the daily side-dish ration consists of 75 grams of meat, 200 grams of fish, and 800 grams of vegetables, but the side-dish ration is almost never supplied in these amounts. The meat supply is especially problematical. For a long time now, NK has tried many different ways to increase the meat ration. NK made it mandatory in 1985 for each farming family to provide to the military a pig weighing at least 60 kg. NK allowed a farming family that did this to dispose of any other pigs they raised as they saw fit, and the farmers responded well. Before long, however, farm families found themselves facing a demand that hopelessly outstripped supply. In 1992, a program began for each company to raise rabbits or goats, and each company was required to raise at least 30 rabbits or 60 goats.

The program stopped a year or two after it began, however, because the units lacked the expertise to raise the animals and because the program established no appropriate means for acquiring so many animals simultaneously. Some units still raise goats, but this does not contribute significantly to boosting meat rations for military personnel.

#### **Civilians' Homes Raided Repeatedly**

In 1995, Kim Chong-il ordered company-size units to cultivate lima beans, with their high nutritional content, as a means of resolving the side-dish shortfall. In response, front-line units brought under cultivation 2.45-7.35 acres of land and began to raise lima beans, but these plots either were not of agricultural quality or were located in areas designated as restricted access. This project did not work out well, either.

Some units are producing about two tons of lima beans per 2.45 acres, contributing greatly to their own support, but the majority of units gave up on the project because their plots are infertile or because they lack farming skills. Thus, the trend is to issue meat only on Kim Chong-il's birthday and on other holidays rather than on a daily basis.

Soldiers often raid the houses of near-by civilians to steal pigs and chickens because of the side-dish ration shortage. As a result, the residents refer to soldiers as "bands of thieves." The bulletin (our command letter), distributed by higher headquarters only for officers, frequently contains things that are not really funny. A farm family in one area arose one morning to find an enlisted man asleep in their pig pen, his arms wrapped around a pig. It turned out the soldier tried to steal the animal by holding a butane lighter under its nose in a bid to render it unconscious. This wasn't working, so the soldier thought the lighter was out of gas and took a whiff to see if any gas remained. The soldier did this repeatedly, until both he and the pig were unconscious.

#### **Mass Crackdown on Military Uniforms in Civilian Hands**

The clothing problem is another hardship experienced by NK military personnel. Innumerable enlisted men must wear summer uniforms even in the winter because of a shortage of cotton. In January last year a special order came down to Yungsoong Trading where I was assigned, to purchase on an urgent basis 30,000 tons of ginned cotton, but we could not do it because the price was wrong.

We gave up trying to make the purchase because the price estimated by the Ministry of the People's Armed Forces (MPAF) was so far below the actual market price.

Officers are to be issued overcoats as follows: for junior lieutenants to lieutenant colonels overcoats are to be made of 50% wool and 50% cotton; for colonels and senior colonels, 70% wool, 30% cotton; and for flag

officers, 100% wool. This is observed, however, only at the MPAF itself. In other units there is not enough cotton, let alone wool, so in reality officers are issued half-length winter coats made of cotton.

Even these coats leak to civilians on cooperative farms and elsewhere, so in 1993 there was staged a mass seizure of all military uniform items in the possession of civilians. The shortage of both summer and winter military footwear is so severe soldiers are not subject to disciplinary measures when they report for duty wearing sports shoes or work shoes. In 1992, however, Kim Chong-il's younger sister Kim Kyong-hui learned of the footwear shortage while inspecting a frontline unit and reported as much to Kim, and the footwear shortage eased a little after that.

#### **ROK: Reconstruction of Panmunjom's 'Freedom House' Planned**

SK2106012096 (Internet) The Joong-Ang Ilbo WWW in English 21 Jun 96

[FBIS Transcribed Text] 'Freedom House' at the truce village of Panmunjom will be rebuilt. The new Freedom House, which will be a 4-story concrete building with a total floor space of 1,500 pyong (4,950 square meters), will face Panmungak on the northern side of the Panmunjom.

The new building, for which a total of 10.5 billion won will be invested, will become a de-facto inter-Korean exit and entry control center which will house facilities to help exchanges between the South and the North, a South-North Korea Red Cross liaison office and a press center. It will also be used as a place of meeting for separated families from both Koreas.

#### **ROK: International Groups To Add 'East Sea' Designator to Maps**

SK2106013996 (Internet) The Joong-Ang Ilbo WWW in English 21 Jun 96

[FBIS Transcribed Text] The International Maritime Organization (IMO) and PICES [expansion unknown] recently informed the South Korean government that they plan to put 'East Sea' alongside the currently used 'Sea of Japan' on future official documents and maps.

A South Korean foreign ministry official stated that "in the future, other international agencies under the United Nations are likely to follow the decision of these two organizations to use 'East Sea' in conjunction with the 'Sea of Japan'."

#### **ROK: Seoul Sets Up Sister-City Ties With Warsaw**

SK2006144096 Seoul YONHAP in English 1134 GMT 20 Jun 96

[FBIS Transcribed Text] Seoul, June 20 (YONHAP) — Seoul city concluded a sisterhood relationship with Warsaw, the capital city of Poland, Thursday [20 June].

A spokesman for the Seoul municipality said an agreement on the sisterhood relations was signed by Kwon In-hyok, head of a Seoul city delegation, and Warsaw Mayor Marcin Swiecicki. [name as received]

Kwon was visiting Warsaw to take part in programs commemorating the 400th anniversary of Warsaw as the Polish capital city.

Under the sisterhood relations, the spokesman said, the two capital cities will exchange information and officials in the areas of transportation and environment, and will engage in broad-ranging exchanges in the fields of economy, education, culture and sports.

As an initial step, the two cities will promote the mutual visits by cultural missions some time in the rest of the year, he said.

Warsaw is the 16th foreign metropolis to come into sisterhood ties with Seoul, the 15 others including Taipei, Ankara, Honolulu, San Francisco, Sao Paulo, Jakarta, Tokyo, Moscow, Paris, Mexico City, Beijing and Hanoi.

#### **ROK: Chongwadae Secretaries Discuss Olympics, Other Issues**

*SK2106062596 Seoul YONHAP in English  
0605 GMT 21 Jun 96*

[FBIS Transcribed Text] Seoul, June 21 (YONHAP) — President Kim Yong-sam instructed the administration Friday to arouse public support for the national team taking part in the upcoming Atlanta Olympics.

"Having paid too much attention to winning the right to host the 2002 World Cup soccer finals, we seem to have somewhat neglected our Olympic contingent," Kim said.

"Though there isn't much time until the Atlanta Olympics start, let's foster an atmosphere of pan-national support for the team so that it may display a strong showing in the sports festival."

Kim was speaking at a meeting of his chief secretaries at Chongwadae [presidential offices] Friday morning.

Also at the meeting, Sim U-yong, chief presidential aide for administrative affairs, spoke of a plan calling for Interpol to assist the government in extraditing back home 37 suspected criminals who fled overseas in the near future, according to Presidential Spokesman Yun Yo-chun.

A total of 226 suspected offenders are hiding overseas, most of whom are accused of economic offenses, Sim said, with the whereabouts of the 37 having been recently discovered. The number of such suspects has skyrocketed from 34 in 1993 and 139 in 1994.

A revised economic management program formulated by economic ministries to cope with inflation and a worsening trade deficit will be reported to the chief

executive early next month, Chief Presidential Secretary for Economic Affairs Ku Pon-yong said.

On the environment, another presidential assistant told Kim that the use of fertilizers and pesticides will be restricted and reduced every year in an effort to keep them from further polluting underground water as well as soil and surface water.

"To that end, a bill fostering environment-friendly farming will be submitted to the forthcoming regular parliamentary session," Choe Yang-pu, chief presidential secretary for agriculture and fisheries, reported.

#### **ROK: Officials 'Put on Alert' Over Stagnating Exports**

*SK2106083396 Seoul YONHAP in English  
0628 GMT 21 Jun 96*

[FBIS Transcribed Text] South Korean exports have been put on alert after outbound shipments stagnated last month.

The Ministry of Trade, Industry and Energy (MOTIE) said Thursday that five key export — semiconductors, petrochemicals, steel, textiles and automobiles — together declined 8.7 percent in May compared to the same period of last year.

To make things worse, the automobile export rate, which grew significantly last month, is expected to face a substantial decline this month due to recent labor disputes.

Last month there were 1.37 billion U.S. dollars worth of semiconductors shipped abroad last month, down 18 percent from same period of last year, 384 million dollars in petrochemicals, down 23.9 percent, and 529 million dollars in steel products, down 33.4 percent, MOTIE officials said.

Automobile exports, however increased 39.1 percent to 865 million dollars and textiles 5.1 percent to 1.0 billion dollars.

The five items accounted for 36.6 percent of all South Korean exports, down 3.3 percent from the previous month, according to the officials.

#### **ROK: Trade Deficit in May Totals 1.353 Billion U.S. Dollars**

*SK2106021596 Seoul YONHAP in English  
0157 GMT 21 Jun 96*

[FBIS Transcribed Text] Seoul, June 21 (YONHAP) — South Korea incurred a trade deficit of 1,353 million U.S. dollars in May, with exports up 6.4 percent from a year earlier to 11,332 million dollars and imports rising 7.3 percent to 12,685 million dollars, the ministry of trade, industry and energy reported Friday.

Last month's deficit brought the nation's trade deficit during the first five months of the year to 7,376 million dollars, up 940 million from the same period last year.

The figure was lower than the ministry's earlier projection of 7,458 million dollars but higher than the 7 billion dollars it had estimated for the entire year.

Exports of semiconductor, which accounted for 19.4 percent of total exports in the first quarter, fell 1.3 percent in April and 18 percent in May, owing largely [as received] to a fall in prices worldwide. As a result, their contribution to the nation's total exports fell to 12.1 percent in May.

Steel and chemical product exports also dropped 33.4 and 12.1 percent last month, respectively, while automobiles and textiles posted increases of 39.1 percent and 5.1 percent.

For imports, general machinery and electric equipment decreased 15.3 and 6.3 percent, respectively, but imports reporting increases included computer peripherals (31.6 percent), ships (137.3 percent), industrial materials (10.1 percent) and consumer goods (12 percent).

The nation's trade deficits with Japan and the European Union fell by 684 million dollars and 10 million dollars, respectively, from May last year, but trade imbalances with the United States, Canada and Australia rose by 1.12 billion dollars, 560 million dollars and 455 million dollars, respectively.

**ROK: Kim Chong-pil Vows To Adopt  
Parliamentary Cabinet System**

*SK2106014196 Seoul THE KOREA TIMES in English  
21 Jun 96 p 2*

[FBIS Transcribed Text] Kim Chong-pil, president of the opposition United Liberal Democrats [ULD], said yesterday that he will do his best to change the current presidential system to the parliamentary cabinet system in the current 15th Assembly. "However, if the change is impossible, it would be desirable that a politician with the will to transform the current presidential government to the cabinet system be elected in next year's presidential election," he said.

This remark was construed as a clear expression of his will to run for the presidency next year even if he prefers the cabinet system to the presidential one.

Meeting the press at the party headquarters, he admitted that the chance of a Constitutional change in the incumbent four-year Assembly was slim as long as President Kim Yong-sam was opposed to the cabinet system. The amendment requires the support of one-third of the incumbent lawmakers.

His remark was also taken as a negative response to Kim Tae-chung, president of the main opposition National Congress for New Politics [NCNP]. He said

he is opposed to changing the presidential system into a parliamentary cabinet system during the 15th Assembly.

But NCNP Kim pointed out in a speech at a university Tuesday that he thought the change would be possible in the 16th Assembly if people wanted it.

NCNP Kim also mentioned the "dual government system could be an alternative to the parliamentary cabinet system if its adoption was practically impossible.

However, ULD Kim opposed the dual system, asserting that the sheer form of a parliamentary cabinet system better suited the political needs of the nation.

Political analysts said the political alliance between the two Kims against President Kim Yong-sam has a built-in limitation because of their ambition for the presidency.

Furthermore, ULD Kim repeated his opposition to the idea of fielding a unified presidential candidate of the opposition camp against the ruling party's standard bearer next year. He said, "We cannot but face the presidential election in accordance with the current Constitution. Our party is preparing itself for the presidential election. I will not remain on the sidelines as a mere spectator."

**ROK: NKP 'Heavyweights' Urged Not To Focus on  
Presidential Race**

*SK2106103096 Seoul YONHAP in English  
0731 GMT 21 Jun 96*

[FBIS Transcribed Text] Seoul, June 21 (YONHAP) — New Korea Party Secretary General Kang Sam-chae called on his party's presidential hopefuls Friday to refrain from debating the upcoming presidential race until the end of the year.

"It is desirable at this juncture in time to refrain from discussing the forthcoming presidential race in whatever form," Kang told reporters. "Unnecessary debate about the race is beneficial neither to the party nor to the individuals involved."

Utterances made by public figures, individual views as they may be, are apt to bring repercussions, and even if they are motivated by pure intentions, they are liable to harm the party, he reasoned.

"Sometime they will express their intentions publicly," Kang added. "But this is not the right time to do so, and it is desirable for them to refrain from discussing the presidential race until the end of the year."

The government party wants its political heavyweights to instead engage themselves in explaining to the citizens the background of the current political standoff in public debates, the NKP official said.

**ROK: Two NKP Members Seek Injunction Against 'Fraud' White Paper**

SK2106061396 Seoul YONHAP in English  
0557 GMT 21 Jun 96

[FBIS Transcribed Text] Seoul, June 21 (YONHAP) — Reps. Yi Sin-pom and Yi Chae-o of the ruling New Korea Party (NKP) applied jointly for an injunction Friday against the printing and distribution of "the election fraud white paper" which was prepared by the three opposition parties.

In the application filed with the Nambu branch of the Seoul District Court, the two lawmakers denied the charges made by the opposition parties in the white paper, and claimed that it amounts to libel.

Later in the day, they told reporters that they would sue the opposition politicians directly involved in the publishment [as received] of the white paper for libel and demand that they pay damages.

**ROK: Chon Reportedly 'Perplexed' During Questioning by Judge**

SK2106021796 Seoul YONHAP in English  
0151 GMT 21 Jun 96

[FBIS Transcribed Text] Seoul, June 21 (YONHAP) — Presiding judge Kim Yong-il questioned former President Chon Tu-hwan directly Thursday [20 June] for the first time since the trial began months ago, about his role in the Dec. 12 coup, 1979 in-army coup and Chon was perplexed.

Kim asked, "Weren't you supposed to report to the vice martial law commander, if the martial law commander was absent from his place (for some reasons)?" Chon said, "Yes."

Kim asked again, "Then why didn't you report the arrest of martial law commander Gen. Chong Sung-hwa to the vice martial law commander?" Chon could not answer the question properly.

Kim continued to question Chon who often looked to his attorneys apparently for help or scratched his head because he did not know how to answer the unexpected questions. That was the 15th trial session for Chon and his coup colleagues at the Seoul District Court.

"If then-President Choe Kyu-ha had refused to approve Chong's arrest to the last," Kim asked, "what were you going to do?" Chon dawdled and gave a terse reply. "...[everything] will be restored to the original state."

"Do you mean you would have told Chong to 'become the martial law commander again' after so many people were injured or killed and so many troops were called out?"

"Well... Yes... Then I would have assumed all responsibility, I suppose..." Chon murmured.

Then-defense security commander Chon instructed his men to arrest Chong, then-martial law commander, on Dec. 12, 1979, and after that he seized power and became president in 1980. In the trial, however, Chon continued to say he ordered Chong's arrest because he thought that Chong was involved in the Oct. 26 assassination of former President Pak Chong-hui.

**ROK: OECD Releases Report on Economy, Financial System**

SK2106055596 Seoul THE KOREA ECONOMIC WEEKLY in English 24 Jun 96 p 3

[FBIS Transcribed Text] Varied restrictions on financing are said to have hindered the development of Korea's financial industry.

The Seoul government's policy toward large enterprises should be changed and directed in such a manner as to help establish fair trade order, away from pursuing restrictive measures curbing ownership and business scale.

These and other recommendations were made in a report on the Korean economy that the Organization for Economic Cooperation and Development (OECD) has worked out on the basis of review results by the OECD's Economic Development Review Committee (EDRC).

The report, which was delivered to the Seoul government on June 4, has no special binding force on Korea, but it will have strong influences over Korea's establishment of economic policies now that the Seoul government has launched negotiations over its affiliation with OECD.

To help attain continued economic growth, the government needs to minimize its intervention and to liberalize the financial market, and the development of financial market in Korea is still far from expectations, largely because of various restrictions OECD pointed out in its report.

In particular, the liberalization progress of the domestic market-oriented financial sectors in Korea is far slower than that of overseas market-oriented ones, and restrictions are still stricter against capital inflows than capital outflows and also against short-term capital inflows rather than long-term capital inflows, it disclosed.

Consequently, discriminative restrictions against banks and non-banking financial institutions should be removed, and the government should exert its efforts to reduce its intervention over the financial industry, it stressed.

At the same time, the current system of forcing banks to apportion certain amounts of their loans to small enterprises should also be abolished, it said.

Commenting on Korea's industrial policies, the government's policy of encouraging firms to specialize business lines is no more than an inefficient policy that weakens the competitiveness, and the government's policy toward large enterprises should be carried out with the aims of rooting out unfair transactions, it also pointed out.

Although the Seoul government's financial status in 1995 marked a surplus of 3.5 percent against the nation's gross domestic product (GDP), the contributing ratio of public expenditures to fixed investments was higher when compared with the relatively lower tax burden ratio, it said.

So the Seoul government will have to be more cautious in the management of its financial account from now on, it recommended.

Korea's economic growth this year will slow to about 7 percent, and yet, the Korean economy will grow by 7-8 percent per year for the next five years on an average, encouraged by higher levels of investment, OECD predicted.

**ROK: Strike at Mando Auto Parts Company Resolved**

*SK2006144296 Seoul YONHAP in English*  
*1156 GMT 20 Jun 96*

[FBIS Transcribed Text] Seoul, June 20 (YONHAP) — A strike at the country's largest auto-parts producer, Mando Machinery Co., which had led to the idling of part of Hyundai and Kia assembly lines, came to an end Thursday (20 June) evening as the management and labor struck a tentative agreement.

The two sides agreed on an 11 percent (84,000 won) increase in basic wages and on an amendment to some supplementary clauses of the collective bargaining agreement.

The tentative accord is to be referred to unionists' vote Friday morning at Mando's six plants across the country.

The Mando union went on a general strike on June 17 after the management offered a 79,000 won hike despite the union's demand for a 99,000 won increase and an amendment to some supplementary clauses.

**ROK: More Firms Said Facing Strikes, Labor Disputes**

*SK2106013796 Seoul THE KOREA HERALD*  
*in English 21 Jun 96 p 8*

[FBIS Transcribed Text] The number of firms involved in strikes and other labor disputes exceeded last year's level, resulting in lost industrial production of almost 200 billion won (\$256.4 million), officials said yesterday.

A total of 384 companies have reported labor disputes as of June 19, compared with 382 from last year, said officials at the Ministry of Trade, Industry and Energy.

Ten of those companies are now on strike, they said. The number of striking firms are double the corresponding number of five during the same period last year, they said.

The labor disputes caused production loss valued at 194.9 billion won as of June 19, and lost exports revenue of \$77.4 million. These figures fall far short of the lost production and exports of 428.8 billion won and \$95.2 million, respectively, recorded a year earlier mainly by the prolonged strikes at nation's largest auto maker Hyundai Motor Co., the officials said. If labor disputes at Kia Motors Corp. and Asia Motors Co. are prolonged, however, the losses will swell sharply, they said.

Two other major carmakers, Daewoo Motor Co. and Saangyong Motor Co., have either reported labor disputes or are in the midst of union voting on whether to enter into disputes.

Besides the auto industry, major shipbuilders, including Manjin Heavy Industries Co. and Daewoo Heavy Industries Ltd., plan to vote on the disputes next week, while Hyundai Heavy Industries Co. and Korea Tacoma Marine Ind. Ltd. are conducting negotiations after entering into disputes.

So far, the labor disputes have also caused 89,149 man-days of lost labor, up from the 82,935 a year earlier, while the number of participants in disputes stood at 11,963, slightly less than the 15,228 a year ago.

Among the total 5,830 firms with employees of 100 or more, those which have successfully settled annual bargaining for wage increases accounted for 50.1 percent, also down compared with the comparable rate of 52.5 percent last year, according to the ministry tally.

**Brunei, Malaysia & Singapore****Malaysia****Malaysia: Deputy Premier Views Bakun Hydro Project's Court Ruling***BK2006161896 Kuala Lumpur THE STAR in English 20 Jun 96**[Unattributed report — received via Internet]*

*[FBIS Transcribed Text]* Kuching — Datuk Sri Anwar Ibrahim described the High Court decision as a procedural problem and has directed the relevant authorities to come up with a solution by next week.

The Deputy Prime Minister ordered Energy, Telecommunications and Works Minister Datuk Leo Moggie to convene a meeting between Ekran Berhad [Limited] and relevant government agencies soon before submitting the report to the Cabinet's meeting next Wednesday.

"We respect the decision of the court but I do not see this as a major problem as it addresses the overlapping of jurisdiction between the Department of Environment and the Sarawak Natural Resources and Environment Board, which can be redressed.

"The project will definitely continue but we will determine if work should be stopped."

Anwar was speaking to reporters after opening the Sarawak Securities Sdn Bhd [Limited Partnership] new headquarters in Kuching.

He was positive Ekran Berhad would appeal the court decision.

Anwar said that while the court's decision was unexpected, he would seek the advice of the Attorney-General on its implications.

He said the Bakun project was the first project of its nature involving Federal and State authorities with apparent overlapping of authority.

**Singapore****Singapore: India's Finance Minister Assures Stronger Reform Consensus***BK2106060196 Singapore BUSINESS TIMES in English 20 Jun 96 p 4**[Report by Vikram Khanna]*

*[FBIS Transcribed Text]* Singapore — The current consensus on economic reform in India is "a real consensus, more real than during the period 1991-96", Indian Finance Minister Pannippan Chidambaram said yesterday at the Global Indian Entrepreneurs Conference.

In his maiden address to an overseas audience as finance minister, Mr. Chidambaram said the previous government's consensus around reform "was more apparent than real ... because the program was the program of one political party".

The situation today "is very different, and in some ways unique" in that the new government's program was forged by agreement among its 13 coalition members.

Moreover, the government is reaching out for support from the two major opposition parties—the Congress and the Bharatiya Janata Party. One has a "deep stake" in economic reforms, and the other is a "declared votary" of such reforms, he noted.

The Harvard-educated Mr. Chidambaram, who assumed his post earlier this month, pointed out that his government has come up with a "common minimum program" on socio-political issues, which "has received the widest measure of support in India and has attracted little criticism".

The program commits the government to achieving an economic growth rate of at least 7 percent a year and industrial growth of 12 percent.

It also commits the government to:

- attract at least US\$10 billion (\$\$14 billion) a year in foreign direct investment;
- reduce the fiscal deficit to below 4 per cent of gross domestic product, from 6 per cent now;
- restructure the public sector;
- extend liberalization to sectors beyond organized industry; and;
- advance administrative and economic decentralization.

Mr. Chidambaram said he was confident that the program would be implemented because many sections of Indian society are "demanding faster change and reforms". These include farmers, the middle class, the organized working class, consumer organizations, universities and the media.

"It is this larger constituency ... that will drive change," he said, adding that "people-driven changes including economic reforms are always more durable and irreversible".

He said the coalition government is best placed to carry out the reforms as it is sensitive to the people's needs and aspirations. Mr. Chidambaram called for support from non-resident Indians: "We welcome your deposits; we would welcome your investments more; we would also welcome your professional skills and expertise."

**Singapore: Indian Finance Minister Views Opportunities for Investors**

**BK2106074496 Singapore BUSINESS TIMES in English 21 Jun 96**

[Report by Vikram Khanna — received via Internet]

[FBIS Transcribed Text] Although the Indian Government is moving to discourage foreign investment in "low-priority areas", 85 percent of Indian industry is open to foreign investors, according to the country's Finance Minister Palaniappan Chidambaram.

Speaking to the press yesterday during the Global Indian Entrepreneurs Conference, he pointed out that his government has yet to determine which sectors will be classified as low priority. "The Ministry of Industry is working on a definition. They will come up with a list ... which I hope will be short," he said. Mr. Chidambaram suggested that the government is not being guided by the idea of promoting investment in computer chips while discouraging it in potato chips.

Noting that such a distinction is "an oversimplification", he said: "It's quite possible that computer chips are required on a farm where potato chips are made."

He said his government will welcome foreign investment in 35 sectors and is "actively wooing" investors in the power, telecoms, oil, roads, ports, and railways sectors. "For a serious investor, there is a wide playing field."

On government plans to deal with loss-making public sector industries, Mr. Chidambaram noted its program "does not use the word privatization." There will be a "menu of options" to deal with loss-making industries, including handing management to professional groups or workers' cooperatives.

"Only in non-core, non-strategic sectors will we withdraw the public sector, on the advice of a disinvestment commission," he said.

He added that the proceeds of disinvestment would be earmarked for health and education, which will get "very high priority."

During his two-day visit, Mr. Chidambaram met Prime Minister Goh Chok Tong, Deputy Prime Minister Lee Hsien Loong, and Finance Minister Richard Hu. He also met the India Business Interaction Group, which includes Singapore companies doing business in India.

**Singapore: Minister Lee: 'Thriving India' Good for Regional Prosperity**

**BK2106053496 Singapore BUSINESS TIMES in English 20 Jun 96 p 1**

[Report by Vikram Khanna]

[FBIS Transcribed Text] (Singapore) — Singapore has a vested interest in India's economic success, as a thriving India will contribute to regional prosperity and offer Singapore another significant source of growth, Deputy Prime Minister Lee Hsien Loong said yesterday.

In a keynote address to a packed audience at the first-ever Global Indian Entrepreneurs Conference, Brigadier General [BG] Lee said that while opportunities in China have been "a major lure", the more Singapore is able to diversify its economic links "the more clearly both our own people and our neighbors will see us for what we really are: a multi-racial society rooted in several Asian cultures, and not just a Chinese society in the middle of non-Chinese South-East Asia".

Singapore had turned its ethnic diversity to advantage, spreading its risks and sharing in regional growth wherever it occurs.

"This omni-directional, although still discriminating, approach is far better for our multi-racial society than a narrow focus on China, despite China's economic importance to the region," he said.

The opportunities in India include not only Singapore investments, but also outbound Indian companies. Singapore could make itself useful to such companies, serving as a launch pad into the region.

The two-day conference, which has brought together more than 500 non-resident Indian (NRI) entrepreneurs and executives as well as businessmen and officials from India and Singapore, was organized by the Singapore Indian Chamber of Commerce.

Indian Finance Minister Palaniappan Chidambaram attended as special representative of the Indian prime minister, and spoke on the challenges of India's reforms.

In his address, BG Lee noted that the emergence of a multi-partner coalition government could lead to perceptions of uncertainty. "Investors will wait for the political dynamics to play out," he said.

He noted, however, some promising signs of the reforms continuing: the new government led by Prime Minister H.D. Deve Gowda has affirmed its commitment to the reforms and the choice of the pro-reform Mr. Chidambaram as finance minister "lends credibility to this commitment".

Moves by individual state governments to deregulate and liberalize would give investors some protection from the uncertainties of national politics. And the positive attitude of Indian businessmen was another plus.

BG Lee said Singapore hopes to collaborate not only with Indian companies in India but with the Indian diaspora. Noting that many NRI's have distinguished themselves in diverse fields, he said: "Singapore, with our multi-racial society, infrastructure and knowhow, can play a small part by providing a congenial place for NRI's to do business in India and in the booming Asia-Pacific region."

Prime Minister Goh Chok Tong is the guest of honor at today's closing dinner, while President Ong Teng Cheong will meet delegates at a garden party this evening.

**Singapore: Official Says India Needs \$200 Billion for Infrastructure**

BK2106074696 Singapore BUSINESS TIMES  
in English 20 Jun 96 p 4

[Report by Vikram Khanna]

[FBIS Transcribed Text] Singapore — India needs to raise at least US\$200 billion (\$\$281 billion) over the next five years to strengthen its infrastructure, the country's Finance Minister Palaniappan Chidambaram said yesterday.

During a question-and-answer session following his address to the conference, Mr. Chidambaram noted that, of the total, US\$150 billion was expected to be raised from within India and US\$50 billion from overseas.

"That is why we need a minimum of US\$10 billion a year in foreign direct investment," he said.

Mr. Chidambaram noted that in the areas of power and telecommunications, a policy framework was already in place which lays down guide lines on how private investments can proceed—although some "loose ends need to be tied up".

He said his government was now working to put together a framework for investment in roads and ports.

On housing, the minister noted that the shortages in urban and rural areas needed to be dealt with in different ways. The problem in the former was that a lot of land cannot be developed because of India's Urban Land Ceiling Act (which restricts the amount of land individuals can own). He said the government had yet to decide what it would do about this.

In the rural areas, by contrast, the problem is related to a shortage of capital: banks are less willing to lend for rural housing purchases, he said, adding that his government had identified rural housing as a "critical area".

Asked when his government plans to open up the insurance industry to the private sector, including foreign companies, Mr. Chidambaram said he could not give a time frame. The first priority was to establish a statutory insurance regulatory authority, and that is likely to happen "very quickly".

The minister held out little hope of any immediate cuts in interest rates, which are currently running at more than 15 percent. If the government could sustain inflation at less than 5 percent, interest rates would come down, but that there were "no easy solutions".

Mr. Chidambaram suggested that the exchange rate for the Indian rupee—which fluctuated sharply last year has stabilized at around 35 to the US dollar. "I'm confident we will keep it stable," he said.

**Singapore: Premier Expresses Confidence on India's Economic Reforms**

BK2106080796 Singapore THE STRAITS TIMES  
in English 21 Jun 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Prime Minister [PM] Goh Chok Tong said last night that he was confident that India's economic reforms had taken off and there would be no U-turn following the change of government after the recent elections.

He said he had concluded even before the general election last month that reforms would continue even if the government of Prime Minister Narasimha Rao was replaced at the polls. India, he noted, had little choice economically but to stick to Mr. Rao's bold economic reforms, although it might have to make some adjustments.

Speaking at a dinner to close the first-ever Global Indian Entrepreneurs Conference, he said: "India's economic reform had taken off. It will be a long haul flight with some refueling stops along the way, and perhaps some changes.

"But my sense is that the flight plan mapped out by Mr. Rao, and now being carried out by Prime Minister (Deve) Gowda, will remain basically unchanged."

Singapore, he added, had "bought a ticket on this long-haul journey with India".

"We have confidence in the Indian leadership's desire to open up its economy and to integrate it with the rest of the world."

But, he added, the government's biggest challenge was to get its bureaucrats, workers and unions, and the people to share the same vision.

Mr. Goh began his 15-minute speech by noting that he had visited India in January last year to spark off a mild "Indian fever" in Singapore. He had sensed business opportunities as India reformed its economy and wanted Singapore to play a "catalytic role" in India's development. "I was confident that the India fever would run for many years and prove resistant to any effort to cool it down," he said, adding that he hoped the conference, organized at his suggestion, would help spread India fever around the world.

Indian leaders, he continued, knew that the old system of rigid central planning and protectionism had held its economy back. Its economic links with Moscow had also vanished with the Soviet Union. Their approaches to the West also drew blanks.

"I cheered with open arms when Prime Minister Rao said it was time for India to look East. He has brought India closer to other Asian countries. I believe the economic reform road which he set out to construct will not have a U-turn sign on it."

Paying tribute to the "epochal contribution" made by Mr. Rao, he said that history would recognize his role better than did the Indian electorate.

Turning to the reform process in China and India, in which the favorite analogy was to liken China to the hare and India the tortoise, he said that India could catch up with the hare if it "finds the current of foreign investment and swims instead of crawls".

China, he noted, had some advantages over India. It drew inspiration from the economic success of Hong Kong and Taiwan and believed it could repeat their experience. The pool of East Asian capital was also large, although not all of it flowed to China.

While India did not have a Hong Kong or Taiwan at its doorstep, it had the 15-million strong India diaspora spread around the world.

But talented as it was, this Indian diaspora could not match the economic weight of its Chinese counterpart, which accounted for two-thirds of China's US\$70 billion in foreign investments between 1983 and 1994.

India, he suggested, would have to evolve a new business strategy to tap the vast East Asian pool of investment capital, instead of pinning its hopes only on non-resident Indians overseas.

Noting that overseas Chinese businessmen were not given special privileges in China, he added: "Hard-headed businessmen do not invest in China for ethnic reasons. They do so for hard-nosed economic reasons."

Indians abroad, many of whom had been educated in top business schools in America, could establish a similar business network in India. They could also link up with others from Singapore and elsewhere, he said, adding that this was one of the aims of the two-day conference.

"In the past five years, India has taken coy glances at its East Asian neighbors. We hope that this conference will encourage them to embrace."

**Singapore: Goh Says India's Gowda 'Serious Pro-Reform Leader'**

*BK2106082596 Singapore THE STRAITS TIMES in English 21 Jun 96*

[Unattributed reprot — received via Internet]

[FBIS Transcribed Text] Mr. Goh Chok Tong last night described his new Indian counterpart, Mr. Deve Gowda, as a "serious pro-reform leader whom Singapore could trust and do business with".

Former Indian Prime Minister Narasimha Rao, he noted, had told him that described Mr. Deve Gowda as the "best person to lose" the state elections in Karnataka to as he was "pro reform".

Mr. Gowda, whom he met twice last year, had also shown prescience when he told him that India's next government would be a coalition, which would grant states more autonomy for reform. "I could not tell whether he foresaw his role as head of such a coalition government as Mr. Gowda is a modest man."

But behind this modesty was a "decisive, pragmatic man of action". Mr. Deve Gowda had flown to meet him in Calcutta last January to tell him he had approved two Singapore projects.

Citing another example, he noted that Mr. Gowda had replied to his invitation to address the conference the same day, explaining that he could not come, but would send a senior minister.

**Singapore: DPM Lee Cites India's PM Gowda's Role in Bangalore IT Park**

*BK2106073496 Singapore BUSINESS TIMES in English 20 Jun 96 p 4*

[Unattributed report]

[FBIS Transcribed Text] (Singapore) Deputy Prime Minister [DPM] Lee Hsien Loong yesterday cited a

specific instance when the new Indian Prime Minister [PM] Deve Gowda showed he was a firm supporter of economic reforms.

BG Lee recalled how Mr. Gowda was in the opposition in Karnataka state when Singapore signed a memorandum of understanding to develop the Bangalore Information Technology (IT) Park in the state.

The project ran into some difficulties but the Congress party state government had been cautious about overcoming these difficulties as state elections were around the corner.

In December 1994, the incumbent Congress government in Karnataka lost the election and Mr. Gowda became the new chief minister. Within two weeks, Mr. Gowda settled the outstanding difficulties and approved the IT Park proposal.

BG Lee told the conference how it so happened that Prime Minister Goh Chok Tong was then in Calcutta, attending the Confederation of Indian Industry's centenary celebrations.

"Mr. Gowda flew to Calcutta, to reassure PM Goh personally that he had approved the IT project, and would support it," he said.

"Unfortunately, this episode has received far less publicity than Enron and Kentucky Fried Chicken, but it is an important demonstration of Prime Minister Gowda's personal convictions."

### Cambodia

**Cambodia: Logging Ban on Thai Companies Lifted by Ministry**

*BK2106060496 Bangkok THAILAND TIMES in English 21 Jun 96 p A2*

[Unattributed report]

[FBIS Transcribed Text] Bangkok — Cambodia has announced it will allow Thai logging companies to export logs cut before April 1995 to Thailand, and that the logging companies must immediately contact the country's Ministry of Agriculture before June 30.

The Foreign Ministry's statement said yesterday Cambodian Agriculture Minister Tav Senghuo on June 11 announced 20 Thai logging companies granted concessions from the Phnom Penh government to hastily request permission from Cambodia to export logs felled along the Thai-Cambodian border.

On April 30, 1995, the Cambodian Government prohibited exportation of logs, according to the United Nations' environmental impact resolution of the country's forests.

Thailand also banned importing of logs from the country, closing the border and taking tough measures to suppress logging smugglers.

However, Cambodia has allowed Thai businessmen to ship the logs by sea.

Up to the present time, Thailand has not yet opened the border, the Foreign Ministry's press release said.

The Cambodian Embassy official in Bangkok said the approval stemmed from the negotiation between Thai Defense Minister Chawalit Yongchaiyut and Cambodian Agriculture Minister Tav Senghou, a few months ago.

**Cambodia: Ranariddh on Banhan Visit, King's Health**

*BK2106103796 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT 21 Jun 96*

[Speech by Cambodian First Prime Minister Norodom Ranariddh at a ceremony to open a health center in Russei Kev Ward, Phnom Penh on 21 June — recorded]

[FBIS Translated Excerpt] [Passage omitted on health work] In conclusion, I would like to inform you that His Excellency Prime Minister Banhan Sinlapa-acha visited our country yesterday. He spoke very clearly several times about a certain matter. He said: Before I came here, I met two prime ministers — Singapore Prime Minister Goh Chok Thong and Malaysian Prime Minister Mahathir. The two prime ministers knew that he was coming to visit the Kingdom of Cambodia. They expressed concern over the disputes among Cambodians — between the big parties and between the prime ministers. These two prime ministers — both friends of the Kingdom who love our Cambodian nation so much — were worried. They asked Banhan to convey their concern. They asked that when he met our two prime ministers, he should try to persuade them not to quarrel. They should try not to quarrel. That is why Banhan stood between me and Prime Minister Samdech Hun Sen yesterday. He led the two... [pauses]

We Cambodians are difficult to understand. To tell you the truth, I am not happy that foreigners have to mediate among us, telling us to hold hands. Quarreling is one thing, but if we realize that we should stop quarreling for the nation's interest, then we should stop quarreling by ourselves. Do not wait until others come to ask us to shake hands. It does not look good. [applause; voice shouts "Long Live the Nonviolent Policy for National Reconciliation"]

Thank you. Thank you very much. I must tell you frankly, yesterday I did not dare take away my hand.

If I took away my hand, Banhan might have said: See, you really quarrel. I... [pauses]

One thing is that Banhan is a man, not a woman. If he was a woman, I would let him hold my hand. As he is a man, I do not really want him to hold my hand. Second is that we should know how to come to good terms by ourselves. Is that not right? It is an internal matter. If we... [pauses]

If his majesty the king father brought the two hands together, I would be willing because he is our father. Even if it was the supreme patriarch, I would be willing. This does not mean I do not trust Banhan. Yesterday, I dared not take away my hand for fear that he might say that we really quarrel. Therefore... [pauses] He said: Come, come photographers — take our picture. I was on his right, and so I extended my left hand. As for the second prime minister, he extended his right hand. Thus, the left and right hands (held) the Thai hands holding the Cambodian hands together to make them reconcile. I said this is not quite a dignified for our nation. No, I only said that in my mind. Just let it be that way for the time being. Banhan was very happy. He said that when he returned, he would show the picture of us shaking hands to all the ASEAN (7members). The Thais are courting us again. No, he has not left our country yet, so do not transmit this. Wait until he leaves our country before transmitting it. That is what I think.

Another thing that Banhan said was good. This is the good thing: He said that before he came, he read in his newspapers and international newspapers that Cambodia is very bad; do not go there. His friends also asked him whether he dared go to Cambodia. He said: I will go; even if I die there I will still go. When he arrived in Cambodia, he said our country is not like those people say. He said our country is very good and developed. There are many prospects for Thai investment. Therefore, in his speech, he praised us for achieving prosperity (in all fields). Security is also good. Second, he said how to encourage more Thai investors to invest in our country. He praised us. He praised our nation. It means that within a period of over two years, despite shortages and difficulties, the Royal Government has strived to develop our country successfully. Thus I have conveyed what Banhan, prime minister of the Kingdom of Thailand, said to the entire Cambodian nation. Thank you. [applause; voice shouts "Long Live the Royal Government. Long Live Samdech Krompreah Norodom Ranariddh"]

In conclusion, I would like to inform you that our king father's health is very good. His health is very good but he still cannot return. It is not like what I... [pauses]

I must apologize. Wherever I went, I told everyone not to lie [words indistinct]. I did not lie. The king sent a letter to me saying that he would be back on this or that day. I was so happy that I showed it. He said it should be kept secret, but I brought this message to our compatriots. At that time, I said that his majesty was coming back within one and a half days. When I returned home after saying that it would only be one and a half days, I saw another message from the king saying that he would not be back. Alas! The grandmothers, grandfathers, uncles, and aunts then said: Look, Ranariddh went around telling us to preserve the five precepts — not to kill, steal, commit adultery, drink liquor, or lie. I told them not to lie, but after saying that the king would return within one and a half days, I went home and had another message saying that he would not return. Therefore, I would like to apologize. I did not lie. The messages came that way. Now I dare not say when our father will return. I only dare say that his health is very good. This can reassure those of us who want him to remain our cool shade for hundreds of years. That is all I can tell you. [applause]

I dare not tell you when will he be back. I am afraid that after telling you that I will return home to find another message and you will say I am lying again. Let us wait until he arrives at Pochentong Airport, then we will go wait for him. [passage omitted]

### **Indonesia**

**Indonesia: Suharto, Australian Minister on U.S. Security Role**

*BR2106093596 Jakarta ANGKATAN BERSENJATA in Indonesian 20 Jun 96 p 1*

[Unattributed report]

[FBIS Translated Text] Jakarta, (AB) — President Suharto and Australian Defense Minister Ian McLachlan discussed regional security and free trade at their meeting at the Cendana Road presidential residence in Jakarta on 19 June.

Speaking to reporters, the Australian defense minister said both sides agree on the importance of a regional security arrangement involving the United States. The U.S. role, however, should not be carried out as in the past.

As for free trade, the two sides agreed to the establishment of a free zone aimed at boosting the two countries' prosperity. Free trade will indeed boost the people's welfare in the two countries.

The Australian defense minister also briefed reporters on several policies adopted by the new Australian prime

minister and assured him that there will be no significant changes in the bilateral relations policy.

"Therefore, there should be no concern about it. Indonesia understands the situation well," he said.

Defense and Security Minister Edi Sudrajat, who accompanied his Australian counterpart during the talks, said that McLachlan's visit to Indonesia was his first overseas trip since assuming the defense minister's post. "This shows Indonesia's importance and position in Australia's eyes," Edi Sudrajat said, adding that the issue of the new Australian ambassador to Indonesia was not discussed at the meeting.

#### **Indonesia: Officer Says PDI Supporters Go 'Too Far' on Street Rally**

BK2106073996 Jakarta THE JAKARTA POST  
in English 21 Jun 96 p 1

(Unattributed report)

(FBIS Transcribed Text) Jakarta (JP) — The Armed Forces said the thousands of supporters of embattled chief of the Indonesian Democratic Party (PDI) Megawati Sukarnoputri went too far in their street rally here yesterday.

"They stepped out of line," said chief of Jakarta Regional Military Command Major General Sutyoso of the demonstration by an estimated 8,000 people which ended in a clash with security officers. He said that 25 of his men were seriously hurt in the incident.

"We were not doing anything violent, we were handling the rioting. None of my soldiers did anything beyond the instructions they received," a visibly upset Sutyoso told reporters as the mass rally continued.

"We've done our best to take a persuasive approach toward these people. My soldiers have also been in full control of themselves," he added.

He also said that his troops made allowances for the situation, letting the protesters march down some of Jakarta's main streets at a busy time of day. "And yet they demanded more," he said.

He vowed he should take "serious action" against the party activists if they held another rally (today).

The demonstrators, who took to the streets in support of Megawati and against the party's splinter group congress in the North Sumatran capital of Medan, started the rally at PDI headquarters on Jalan (Road) Diponegoro in Central Jakarta.

They then moved toward the Monument National Park through Jalan Imam Bonjol, Jalan Husni Thamrin, and

Jalan Medan Merdeka Timur before they stopped in front of the Gambir Railway Station in Central Jakarta.

It was in front of the station that the clash with some of the 200 troops, who refused to let the protesters continue to the Ministry of Home Affairs, occurred.

Rioting began after a number of unidentified people in black hurled stones at the troops. Riot police, followed by troops, then charged with batons and rattan sticks into the crowd, beating some protesters and breaking car windows. The protesters attempted to retaliate in kind by hurling stones at the troops.

A number of party executives loyal to Megawati, including Alexander Litaay, Mangara Siahaan, Sophan Sophaan, and former legislator Sri Bintang Pamungkas took part in the rally. Megawati's sister Sukmawati was also present.

Accounts of casualties varied. Jakarta military spokesman Lieutenant Colonel Didi Supandi said 55 security personnel were injured, 25 of them seriously.

Sutyoso acknowledged that a journalist was also hurt, but asserted that none from the protesters were injured.

THE JAKARTA POST observed that three pressmen were injured during the clash. A photographer of the SINAR weekly magazine, Erwin Hadi, a local crewman of the Atlanta-based Cable News Network Iqbal Wahyudin, and a journalist of the Japanese newspaper MAINICHI SHIMBUN Tomohiko Ohtsuka, were wounded.

#### **Five Stitches [subhead]**

Yenni Jahidin, a reporter from the CNN Jakarta representative office, told THE POST that Iqbal needed five stitches on his head, while Erwin had four stitches on his chin.

Separately, Chief of the Central Jakarta District Police Lt. Col. Abubakar Nataprawira told THE POST that 18 security officers were injured. He said there were no reports of other injuries or vehicles being damaged.

He said that 57 participants were taken into police custody for questioning.

The party's central board claimed last night that one PDI supporter died, 70 other supporters were injured — five of them were in critical condition, while 70 others were being held in several police and military detention centers.

Similar demonstrations in support of Megawati took place in other cities. In Ujungpandang, South Sulawesi, hundreds of PDI supporters took to the streets on

Wednesday night, condemning the government's endorsement on the splinter group's congress.

In Surabaya, East Java, thousands of PDI supporters also demonstrated along the city's main streets yesterday to express their support for Megawati and criticize the government's stance on the party's dispute.

**Indonesia: Article Discusses Megawati's Political Threat to Suharto**

BK2106080496 Sydney THE SYDNEY MORNING HERALD in English 21 Jun 96

[Article by Louise William in Jakarta: "Megawati Cements Place as Key Suharto Foe" — received via Internet]

[FBIS Transcribed Text] The first really big stone leading to yesterday's demonstration was cast last week behind the locked doors of a meeting room of a Jakarta hotel. There Ms. Megawati Sukarnoputri, leader of the pro-democracy Parti Demokrasi Indonesia (PDI), and daughter of Indonesia's founding President Dr. Sukarno, issued an extraordinary threat against the man who had toppled her father more than three decades ago.

In a statement endorsed by Ms Megawati, the PDI said it was capable of mobilising tens of millions of people to demand a more open political system, and could win 80 to 85 per cent of the votes if "free and fair" elections were permitted.

"Never in the history of Suharto's New Order Government has anyone publicly challenged him from within a legal political party," said one observer of the significance of the threat.

Yesterday, thousands of Ms. Megawati's supporters marched through the main business district of Jakarta, closely followed by hundreds of riot police and armoured personnel carriers. It was the biggest public demonstration in Jakarta for more than two years.

Although the PDI is the closest thing Indonesia has to an opposition party it operates within a political system tightly controlled by Mr. Suharto and the ruling Golkar Party. Its very existence must be approved by Mr. Suharto.

It is one of only two alternative political parties allowed to contest national elections, but is restricted from campaigning outside urban centres.

Today, with the support of the Suharto government, a breakaway faction of the PDI began meeting in the northern city of Medan to begin the formal process of ousting Ms. Megawati.

Technically, this is an internal leadership dispute. But in reality the PDI leadership battle is harnessing considerable pent-up frustration and resentment over the limits to political participation under Mr Suharto and posing very real questions about the future appropriateness of strong government in a rapidly changing social and economic environment.

The role of Ms. Megawati as PDI leader is deeply worrying for the Suharto Government ahead of next year's elections.

For the first time the PDI, the smallest of the three parties, has a figurehead with considerable public appeal.

"The prospect of a Sukarno scion heading one of Indonesia's three political parties was greeted with dismay inside the presidential palace," wrote Adam Schwarz in his book *Nation in Waiting*, of Ms Megawati's election to the PDI leadership in 1993.

So displeased was Mr. Suharto with news that one of the late President Sukarno's children had returned to a position of political leadership that he twice delayed the official palace meeting appropriate for the new PDI head. In the 1992 polls the PDI saw its vote increase from 11 per cent to 15 per cent, partly due to the drafting of Ms. Megawati into the party in 1987.

The banner "Sukarnoism", used by the PDI, is widely understood to be a code word for more democracy and greater government accountability. Ms. Megawati had led a quiet life until she was sought out by the PDI almost a decade ago by the man who is now challenging her leadership, Mr. Suryadi. Now 49, the mother of three is facing her most complex political challenge and will not speculate on the consequences should the bid to topple her succeed. "It has not happened yet," she said last week.

However, she said the Suharto government was fomenting the PDI dispute to disrupt the party's preparation for next year's polls.

**Indonesia: Training for Politics Not Goal of Indonesian Islamic Schools**

96SE0084C Jakarta KOMPAS in Indonesian 21 May 96 p 15

[FBIS Translated Text] Semarang (KOMPAS)—Political subjects taught in Islamic boarding schools are not oriented to the political structure, meaning that they do not direct students toward seeking certain political offices. The subjects are more of a cultural nature, in order to give students an acquaintance with the political world. If an Islamic boarding school orients its students to the political structure, it can no longer be called such a school.

KH [Islamic scholar and pilgrim] M.A. Sahal Mahfudz, general chairman of the Islamic Scholars League (NU) Executive Council, said this Monday, 20 May, in Semarang to a seminar entitled "The Role of Islamic Education in Indonesian Political Education." "I do not know what an Islamic boarding school oriented to structural politics should be called," said the principal of the Islamic boarding school at Kajen, Pati District (Central Java).

The seminar, which began Sunday [19 May] is sponsored by the Education Faculty of the Sunan Kalijaga State Islamic Institute (IAIN) and will last for three days. Those presenting working papers include Prof. Dr. Yahya Muhaimin, political observer from Gadjah Mada University; Dr. Mochtar Mas'ood; and Dr. Din Syamsuddin, from the GOLKAR [Functional Group] Research and Development Board.

#### **Influenced by History**

According to Sahal Mahfudz, political education in the Islamic boarding schools is greatly influenced by the history of political action in the sphere of the schools themselves. This is because the emotional ties to political actions in their own circles continue to have a special value that needs to be given careful attention. Although every political incident should be given attention, political incidents in their own circles have value as practical examples of the "what" and "how" of politics in the schools.

He explained that history shows that the Islamic boarding schools have never given up support and recognition for the Indonesia's governmental system. In other words, the government formed on the basis of the constitution of the Republic of Indonesia is deemed unconditionally valid. The idea of establishing a state under an Islamic constitutional system is considered to have lost its relevance to Indonesia.

"These complex political subjects have never been specifically intended as political education as such. In reality, the educational system in the Islamic boarding schools is intended merely for the creation of the ideal person. Such education creates moral attitudes and standards in the personal life, creates social attitudes and behavior in community life, and in the context of national life creates political attitudes and behavior," explained the chairman of the Indonesian Islamic Scholars Council (MUI) for Central Java.

Sahal Mahfudz stressed that the political attitude and behavior of the Islamic boarding schools are not produced by specific education about politics. As with other aspects of life, however, they are fruits that grow by themselves through a process that has no specific intent.

Nevertheless, the relationship between the schools and the state have experienced ebbs and flows throughout the half century since the Independence Proclamation.

### **Philippines**

#### **Philippines Claims ODA Law Provisions Do 'Not Discriminate'**

BK2106092596 Manila MANILA BULLETIN  
in English 21 Jun 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] The provision of the new ODA [Official Development Assistance] Law giving preference to Filipino firms and professionals in contracting and supplying materials for official development assistance-funded projects does not discriminate against foreigners.

NEDA [National Economic Development Authority] Director Rolando Tungpalan for information and project monitoring clarified the particular law provision does not preclude the holding of a competitive bidding that would allow foreigners to participate.

He said the implementing guidelines being prepared by NEDA will address the issue raised by the Japanese Government.

The new ODA Law (RA [Republic Act] 8182) gives NEDA 30 days from its enactment on 11 June to finish the guidelines.

Earlier, Japanese embassy first secretary and economic director Reiichiro Takahashi raised concern over the ODA Law provision, giving hint that this could hold back immediate release of Japanese commitments.

Japan had endorsed the \$1.2 billion Yen loan package for the Philippines following the approval of the new ODA Law. More specifically, the Japanese official cited Section 11 of the law which, among others, states that:

— In hiring consultants, contractors, architects, engineers, and other professionals necessary for a project's implementation, Filipinos shall be given preference; and

— In the purchase of supplies and materials, preferences shall be given to Filipino suppliers and manufacturers, so long as the same shall not adversely alter or affect the project, and such supplies and materials are to the standard specified by the consultants, contractors, architects, engineers, and other professionals connected with the project.

Tungpalan assured the Japanese concern will be properly addressed in the implementing guidelines.

**Philippines: Japanese Mission Approves  
\$1.2-Billion-Yen Package**

*BK1906152096 Manila MANILA BULLETIN  
in English 19 Jun 96*

[Unattributed report — received via Internet]

[FBIS Transcribed Text] The Japanese mission has approved the 21st Yen Package amounting \$1.2 billion (P [peso] 31.2 billion) for 17 vital government projects soon after the enactment last week of the new ODA (Official Development Assistance) Law or Republic Act No. 8182.

President Fidel V. Ramos yesterday hailed Japan's speedy approval of the yen package by the Japanese mission, led by Deputy Director Makita Shimokawa of the Ministry of Foreign Affairs-Yen Loan Division, which was relayed by Economic Planning Secretary Cielito Habito, who heads the Philippine panel that negotiated the package.

The new ODA law exempts grants and concessional loan packages like the 21st yen package from the \$10-billion debt ceiling imposed by Republic Act No. 4860. The new ODA law exempts from the \$10-billion ceiling loans or grants which meet the following criteria:

- 1. They must be administered with the objective of promoting sustainable social and economic development and welfare of the Philippines.
- 2. They must be contracted with governments of foreign countries with whom the Philippines has diplomatic, trade relations or bilateral agreements or which are members of the United Nations, their agencies and international or multilateral lending institutions.
- 3. There are no available comparable financial instruments in the capital market.
- 4. They must contain a grant element of at least 25 percent.

The Japanese mission expressed its appreciation to the president for being personally present during project inaugurations and turnover ceremonies, which the mission said greatly helped in their campaign to promote better understanding of Japan's ODA among the Japanese people.

The president was informed by Habito that during the discussions, the Japanese mission highlighted the government's ability to address implementation bottlenecks and issues such as those relating to peace and order (specifically in Mindanao) and the relocation/road right of way (ROW) acquisition.

On security risks, the Japanese mission was assured by the Philippine Government that specific measures

to minimize such risks are being carried out by the implementing agencies in cooperation with the military and concerned local government units.

The increasing active involvement of LGUs [local government units] in setting ROW issues (as in the case of the Batangas port) was also reported to the mission, Habito told the president.

On the future framework of cooperation, both sides agreed to continue working within the priority areas of cooperation identified during the 1994 Kattori Mission namely: a) support to economic infrastructure; b) poverty alleviation and elimination of regional disparity; and c) conservation and protection of the living environment.

The projects to be funded by the 21st yen package include transportation; energy, water resources; private sector support; environment sector and human resource development.

**Philippines: Agenda in Talks With Communists  
Revealed**

*BK2106025396 Quezon City GMA-7 Radio-Television  
Arts Network in Tagalog 2230 GMT 20 Jun 96*

[FBIS Translated Text] The communist rebel leader, Sotero Llamas, is expected to be released soon. AFP [Armed Forces of the Philippines] Chief Arturo Enrile said that the release of Llamas is assured because this has been ordered by the court. He explained that the delay in the release of Llamas is due to incomplete release papers, which are expected to be completed tomorrow.

Meanwhile, peace talks between the Ramos government and the NDF [National Democratic Front] is in progress. Agenda for discussion includes issues on human rights, socio-economic reforms, political reforms, the Constitution, and an end to fighting between the government and the NDF.

**Philippines: Detained New People's Army Leader  
Released**

*BK2106110696 Quezon City GMA-7 Radio-Television  
Arts Network in Tagalog 0930 GMT 21 Jun 96*

[FBIS Translated Excerpt] A court order was issued authorizing the release of detained New People's Army leader Sotero Llamas. He was released this morning from his cell in Camp Crame. [passage omitted]

Llamas will have a reunion with his family before flying to The Hague, Netherlands to start working on the peace process.

## Thailand

**Thailand: ASEAN Leaders Urged To Put "Quiet Pressure" on SLORC**

BK2106053296 Bangkok *THE NATION* in English  
21 Jun 96 p A4

[Editorial: "ASEAN Looking As Confused As SLORC"]

[FBIS Transcribed Text] If everybody in the United States stopped drinking Pepsi tomorrow would democracy return to Burma? Probably not. But it would likely do more good than simply improving the dietary habits of Americans.

Similarly, if ASEAN finally climbed off the fence and did more than parrot empty phrases about constructive engagement, would the region be better served? We believe so.

What the small student groups in America seem to understand, and the so-called skilled diplomats of ASEAN don't, is that international pressure can help improve the political situation in countries like Burma.

Kowtowing does not. Fence-sitting does not. The divisions between the two sides in Burma are so sharp it is simply not possible to occupy the middle ground. The fence is a razor-wire-topped barricade that injures anyone who tries to straddle it.

And by doing nothing ASEAN is in effect giving support to the military government in Rangoon. The grouping's announcement last week that it "would not interfere in Burma's internal affairs", despite appeals from Burmese and the West to prod Rangoon to begin a dialogue with the opposition, were splashed over the front pages of all of Burma's state-run newspapers.

### The Business Argument

Critics of boycotts, sanctions and other forms of overt political pressure counter that whatever good they do is outweighed by the hurt they cause the very people they are intended to help. If Pepsi was to cancel its licensing agreements in Burma, several thousand Burmese would be out of work. The scores of hotels sprouting up around Rangoon and Mandalay similarly provide better paying work for Burmese who have spent the last 30 years with their heads barely above the poverty line thanks to the inept policies of the ruling military.

They also point out that you can't stop business. Where there is a buck to be made so a businessmen will be there to do it. No matter if that means climbing mountains, crossing rivers or shaking hands with the devil. The lure of profit is one of the most irresistible forces on earth. Should French oil giant Total pull out of Burma

another smaller company carrying less political baggage will simply step in.

The third point, and the most strenuously argued by the pro-business sector, is that foreign involvement in Burma will improve the country and accelerate the democratization process.

But this is a fallacy. Foreign business involvement and democracy do not inevitably lead to democracy.

One need look no further than Thailand for evidence of that. Despite its long history of being open to foreign businessmen it was only four years ago that a military-led government ordered soldiers to gun down scores of protesting Thai citizens in Bangkok.

It is true foreign investment does improve the conditions for democracy but it does not happen quickly or with any certainty. It took more than 40 years in Taiwan, equally as long in Japan and the struggle seems to be continuing in Korea.

Several weeks ago Rangoon sentenced a friend of opposition leader Aung San Suu Kyi to jail for three years. His crime — illegal ownership of three fax machines. Earlier this year, six students got up to seven years each for poking fun at the government in a pantomime. In more recent weeks hundreds of supporters and party delegates were rounded up and jailed after being invited to a party congress. They were not charged because they had not committed any crime. Then there is the litany of complaints against the junta cited by the United Nations, forced labour, forced relocation of citizens, ethnic cleansing campaigns, military atrocities, medieval punishment regimes.

### Growing Pains

Are these the growing pains Burmese should be fairly assumed to bare as the country develops? We would like to suggest not.

When no pressure is placed on businessmen they do not act as forces for democracy and in many cases working the status quo is so profitable they are forces for quite the opposite. Certainly in Burma there is an increasing body of evidence suggesting Total is actively supporting Rangoon in its campaign of forced labour to build a gas pipeline through the east of the country.

Burma today is at a crossroads. The government is under pressure from the West and the local opposition and there are indications that it is confused about which direction to turn. One day the official press quotes a general vowing to annihilate the opposition, and the next day the same paper is quoting a different

general stressing the need to work toward dialogue and conciliation.

What is needed from ASEAN is quiet pressure. The benefits and rewards of dialogue should be made clear to Rangoon which has traditionally responded to challenges with a reflexive brutality.

The noises coming out of ASEAN's member states, however, suggest that behind the facade of consensus there is much confusion. Thailand and the Philippines have made gestures of support towards the opposition, Singapore has suggested "Suu Kyi stay behind her fence", Vietnam's communists have expressed solidarity with the Rangoon junta and Jakarta seems unwilling to waver from its monolithic stand of non-interference.

ASEAN leaders are right when they say there is more to Burma than simply the protection of economic interests. But the result of their failure to respond to the dynamics of the situation in Burma means that these problems — like the arms buildup, narcotics smuggling, an Aids epidemic and illegal labour flows — are only likely to get worse.

**Thailand: Banhan Conveys ASEAN's Concerns to Phnom Penh**

*BK2106030596 Bangkok THE NATION in English*  
*21 Jun 96 p A3*

[Report by Marisa Chimprapha]

[FBIS Transcribed Text] Phnom Penh — Prime Minister Banhan Sinlapa-acha yesterday conveyed ASEAN's concern over the internal bickering among Cambodia's coalition parties, saying the continued political disturbances could affect Cambodia's process to join the grouping next year.

Cambodia's co-prime ministers yesterday assured Banhan that they would not use violence to settle their political disputes and would do nothing that would hinder their ASEAN entry.

They realise that political conflict between two major coalition partners could badly affect the country's image, Banhan quoted the co-prime ministers as having told him.

"Malaysian Prime Minister Mahathir Mohamed and Singapore Premier Goh Chok Thong asked me to convey their countries' concern on the current political conflicts in Cambodia to the co-premiers," Banhan said after a two-hour meeting with the two.

"I informed them that if the political situation continued following this track, it could affect Cambodia's image and delay its acceptance as an ASEAN member next year," Banhan said.

The political crisis in Cambodia took root after the FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] threatened to withdraw from the government if the Cambodian People's Party failed to comply with earlier agreements on power sharing at the district level.

Angered by the threat, Hun Sen suspended the power sharing process and vowed to use force against any anti-constitutional movement.

The co-premiers explained to Banhan during the meeting that the conflict between their parties could be regarded as similar to a couple having an argument, which they said could be resolved soon.

Banhan also referred to Cambodia's ban on logging which has affected Thai companies. The companies claimed that they were unable to import all their felled logs into Thailand by April 20, last year, as they did not have sufficient time to transport them across the border.

In January, the Phnom Penh government signed concessions with 19 Thai companies to allow them to import the felled logs on condition that these firms could guarantee that they had been cut before the April 20 deadline. The companies also had until June 30 to move the logs in question.

Banhan said only the BLP logging company has so far completed its task.

He also urged the Cambodian Government to accelerate the processing of legal documents for the 18 firms to import the logs to Thailand to ensure they have enough time to transport them across the border before the June 30 deadline.

Responding to concerns expressed by some non-governmental organisations that the logs expected to arrive in Thailand were newly cut, both countries have agreed to have a joint working group to be responsible for checking the logs that are imported.

Banhan arrived in Phnom Penh yesterday after visiting Laos on Wednesday. He also met Cambodia's National Assembly President Chea Sim.

Banhan informed the meeting that the Thai Government agreed to return 13 artifacts which were believed to have been stolen from Cambodia. They were confiscated from an antique shop in Bangkok.

Thailand and Cambodia yesterday signed a memorandum of understanding on the Stung Nam Dam project, an agreement on the establishment of a joint sub-committee to look into the economic and technical aspects.

In Vientiane, Laotian President Nouthak Phoumasavan yesterday urged Thailand to work with his country to jointly solve their remaining conflicts, particularly the boundary problems before Laos becomes a full member of ASEAN next year.

Nouthak said that Thailand and Laos geographically were part of the Southeast Asian region and shared a lot, so they should try to solve their remaining problems peacefully and through dialogue.

"Laos will become a member of the ASEAN next year. It would not be good for us to still have boundary problems with Thailand after we join ASEAN," Nouthak told Banhan.

#### **Thailand: Main Topics at Asian Interpol Conference Outlined**

*BK2106045896 Bangkok BANGKOK POST in English 21 Jun 96 p 3*

[Report by Yolaine d'Udekem and Withamon Phongphairot]

[FBIS Transcribed Text] The 14th Asian Interpol Conference yesterday urged industrialized countries to join hands in the fight against drugs trafficking at the upcoming G-7 Summit to be held next week in Lyons, France.

The annual meeting will see over 200 delegates from 40 member countries participating, including observers from some European nations and the United Nations.

The main topics to be discussed at the five-day conference are drugs trafficking, immigrant smuggling, economic and financial crimes.

"Criminals can now commit a crime in one country and then flee to another," said Police Department Director-General Pol (Police) Gen. Phot Bunyachinda.

Pol Maj. Gen. Amarin Niamsakua, the Police Department's commander of the Foreign Affairs Division, said the topic discussed yesterday centred on narcotics trafficking in the region.

He warned that Asia had now become a major drugs producing venue for other parts of the world with the "Golden Triangle" in Southeast Asia and the emerging "Golden Crescent" in Afghanistan as the main sources.

Pol Maj. Gen. Amarin said, however, that the situation was affected both by the demand and supply factor and therefore the meeting called on the United States and Europe to help put narcotics traffickers out of business.

"Producing countries largely account for the problem but consuming nations — mainly those in Europe and

the U.S. — should be equally responsible," he said after the meeting.

"The gathering therefore would like to pass on the message to the industrialized nations at the G-7 meeting between June 27-29 in Lyons to call on those countries to become more active in their roles."

The senior officer also pointed out the need for a universal law on extradition, saying that would become one of the most useful tools in deterring criminals even if they found refuge outside the country of criminal action.

He said many countries were reluctant to accept such a law because they were not politically ready.

"But Thailand is willing to support or sign it because it thinks that would be one of the most effective legal measures in bringing international criminals to justice," he added.

According to the police commander, Interpol was going to put the topic on its agenda at the general assembly meeting in Turkey soon.

In that direction, Toshinori Kanemoto, a delegate for Asia and an Executive Committee member of Interpol, insisted on the importance of combating organized crime together.

He said emphasis must be laid on communications networks, personal contacts among officials and a legal framework if the goals are to be achieved.

"It is important to have such a conference here, annual or biannual, to share our different experiences."

He also stressed the fact that Thailand hosted the meeting this year which signals the global implication of the problem.

Mr Kanemoto said it is crucial that law enforcement agencies know the intentions of criminals, keep up with their tactics, and quickly react.

In this regard, international cooperation, which includes sharing of information, plays a precious role.

"We need each other in this fight, no single agency can solve this huge problem of global implication," he insisted.

Even if there are many constraints in this battle, like language or law, he explained that patience is a golden rule to consolidate something; he will never give.

The relations and cooperation between Japan and Thailand are very good, but he said that "we can never be satisfied with cooperation because we still have room for improvement".

Crimes are increasing in relation with the growing economy of the region, given the fact that human beings, goods, money, and information, which make up for major elements of crimes, see no borders.

"Economic progress has allowed these four things to move faster and more easily beyond traditional boundaries," he pointed out.

**Thailand: Country 'Not Target' of EU  
Antidumping Investigations**

**BK2106073296 Bangkok BANGKOK POST**  
*in English 21 Jun 96 p 22*

[Report by Somphon Tanpanachai]

[FBIS Transcribed Text] The European Union does not target Thailand in anti-dumping investigations, but the number of cases has increased due to the dramatic expansion of bilateral trade, according to the head of the Delegation of European Commission to Thailand.

Michel Callouet made the comment yesterday at a seminar on EU anti-dumping procedures, in response to Thai complaints that Thai products were being singled out in EU investigations.

Deputy Commerce Minister Anusai Yotsuk told the seminar that intensive EU anti-dumping investigations would create more barriers to Thai exports and would reduce Thailand's competitiveness in that market.

Bilateral trade between Thailand and the EU doubled between 1988 and 1994 to more than US\$8 billion. But only 1.5% of that value was affected by anti-dumping measures, according to Michel Servoz of the Commission's Directorate-General for External Relations (Commercial Policy).

"It is important to keep in mind that 98.5% of trade is not affected by dumping measures."

He said anti-dumping measures were applied against Thailand in only five cases out of 147, and he considered their impact bilateral trade marginal.

Bunthapha Simasakun, deputy director-general of the Foreign Trade Department countered the European figure, saying the five cases were quite significant to Thailand.

She said the EU in 1994 initiated 43 cases against all its trading partners but five cases — more than 10% — were against imports originating in Thailand. Last year four of the 34 cases involved Thailand.

With nine cases now at the investigation stage, the effect on Thailand is not minimal as the EU claims, she said.

"Simply the initiation of a dumping case is enough to harm Thai exports to the European Union. The damage

occurs without having to wait for the final decision on the cases."

The EU was the biggest market for Thai exports in 1987 accounting for 24% of the country's total exports. The Proportion fell to 15% last year and the EU dropped to fourth place.

A Foreign Trade Department source characterized some EU investigations as trade barriers and harassment. The source pointed to a two-year investigation of bed-linen imports, which now appears likely to be dropped after finding no evidence of dumping.

Mr Servoz said some cases may be dropped because four factors must be satisfied before a dumping margin can be imposed: the actual dumping, the injury to EU industry, the "causality" of the injury, and community interests.

He said the EU's new anti-dumping legislation reflected the negotiations in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

The EU goes beyond GATT with stricter requirements for documentation to support dumping complaints. Many complaints have been rejected because of insufficient documentation.

The new legislation also sets a 15-month deadline for making a final determination, while the World Trade Organisation allows a longer period, he said.

Mr Servoz said Thai exporters who face investigations should actively cooperate with the EU in order to ensure fair treatment.

**Thailand: French Envoy Discusses Armored Car  
Deal With Military Chief**

**BK2106104296 Bangkok Radio Thailand Network**  
*in Thai 0530 GMT 21 Jun 96*

[FBIS Translated Text] The French ambassador to Thailand called upon the supreme commander today to assure the armed forces of the stability of Giat Industries. The ambassador paid the call after reports were circulated that the French company may go bankrupt. Talking to reporters after the meeting, Supreme Commander General Wirot Saengsanit said that the French company had been selected because the capacity of armored vehicles produced by that company met Thailand's demand. He also said that a German company would be the alternative choice should negotiations with the French firm fall through.

[Begin Wirot recording] We will negotiate with the company regarding price and technology transfer, and so on. If the negotiations fail, we will then select our

second choice — a German company. The Canadian firm will not be considered because it quoted a price of over 9 billion baht for the deal, which is about 2.5 billion baht more than the French firm's price. Think about it. [end recording]

Armed Forces Chief of Staff General Mongkhon Amphonphisit said that the French ambassador confirmed that Oiat Industries could not go bankrupt, because the company is an affiliate of the French Government. In addition, France has produced, for the French Armed Forces and some other 12 countries, more than 5,000 armored vehicles, which are the same model as the one wanted by the Thai Armed Forces.

**Thailand: Banhan Vows To 'Smooth the Way' for Investors in Cambodia**

*BK2106053396 Bangkok BANGKOK POST in English 21 Jun 96 p 23*

[Report by Yuwadi Thanyasiri]

[FBIS Transcribed Text] Prime Minister Banhan Sinlapa-acha yesterday vowed to help smooth the way for Thai investors in Cambodia who faced delays or roadblocks.

"Anybody who has a problem, he or she can come to see me or [Deputy Prime Minister] Mr. Amnuai (Wirawan) or authorities involved to jointly thrash it out," said Mr Banhan in a speech delivered at a one-day seminar on investment opportunities in Cambodia.

Some eighty Thai businessmen attended the event in Phnom Penh.

Mr Banhan, accompanied by senior government officials and leading businessmen, began the first of a two-day official visit to Cambodia yesterday.

The visit is aimed at fostering bilateral economic and trade ties.

Mr Banhan said he was confident that the private sector would play a strong part in building relations between the two countries.

Two-way trade expanded rapidly from four billion baht in 1993 to 12 billion baht in 1995, excluding the value of goods traded along Thai-Cambodian border.

From 1991-93, Thailand invested in 88 projects in Cambodia, ranking as the country's top investor.

But in 1995, Thai investment dropped to 21 projects worth U.S. \$30 million, lowering its ranking to ninth. Hotels, telecommunications, processed foods, agro industries and energy were the most popular ventures.

Mr Banhan said Cambodia remained a key target for Thai businessmen because of its rich natural resources and cheap labour costs.

**Thailand: Burmese Advised To Set Up Border Trade Committee**

*BK2106055396 Bangkok THAILAND TIMES in English 21 Jun 96 p A2*

[Report by Atsawin Phinitwong]

[FBIS Transcribed Text] Tak — The Tak Chamber of Commerce has proposed Burma to set up a border trade committee which will be responsible for coordinating with Thailand, the chamber's deputy chairman Suchat Traiwathana said yesterday.

Suchat said that the opening of a systematic border trade will enable both countries to engage in trade legally.

Presently, due to the restrictions on border crossing, trading between Thai and Burmese merchants is being done clandestinely, and Burmese merchants have to pay illegal tax to the Burmese Government.

This has adversely affected the Burmese people who have to pay for goods imported from Thailand at a higher price.

Thai merchants, on the other hand, have been operating according to Thai law, Suchat said.

Thailand must persuade Burma to discuss the issue of opening border trade between the two countries, he said.

**Thailand: Border Refugee Camps Threatened by Karen Group**

*BK2106060396 Bangkok THAILAND TIMES in English 21 Jun 96 p A2*

[Report by Atsawin Phinitwong]

[FBIS Transcribed Text] Tak — The Democratic Karen Buddhist Army (DKBA) yesterday fired several shots towards the Shoklo refugee camp in Tha Song Yang district in Tak, said a border patrol police officer.

Members of the rival Karen National Union (KNU) have sought shelter in the camp following the fall of its major headquarters to the Burmese Army early last year. The DKBA has threatened to attack the refugee camps inside Thailand if it continues to provide shelter to KNU members. The DKBA suspects the KNU is hiding troops and weapons in these camps.

According to Thai authorities, the DKBA is aiming to undermine relations between Thailand and Rangoon with their increasing cross-border offensives.

Before the Thai-Burmese Regional Border Committee (RBC) meeting, which is now taking place in Phisanulok province, the DKBA announced that it will continue to operate against Thai refugee camps if their demands were not met by Thai authorities.

The DKBA, which broke away from the KNU two years ago, works with the Burmese military in fighting against the KNU, an ethnic minority group fighting for autonomy.

Before last year's RBC meeting, two Karen refugee camps in Tha Song Yang were set fire by the DKBA.

**Thailand: Prime Minister Discusses Border Issue With Lao President**

BK2106053096 Bangkok BANGKOK POST  
in English 21 Jun 96 p 6

[Report by Phanrawi Tansupphaphon and Yuwadi Thanyasiri]

[FBIS Transcribed Text] Vientiane — Laotian President Noubak Phomsavan yesterday called on Prime Minister Banhan Silapa-acha to mount a joint effort to demarcate the Thai Lao border ahead of Vientiane's entry into ASEAN.

"If the problem between the two countries remains before Laos becomes a full member of ASEAN next year, we will take our differences into the grouping," he said. "As brothers, our various problems should be resolved jointly."

Mr Noubak made the comment during talks with Mr Banhan yesterday morning before the prime minister was due today on to Phnom Penh.

The disputed border has long been a contentious issue which erupted into violence in 1988, when Thai and Lao troops exchanged fire at Ban Romklao, Phitsanulok, over which country had sovereignty over the village.

Laos has already demarcated its borders with Burma, China, Vietnam and Cambodia. But the Thai-Lao 1,700 km frontier still has not been fixed.

"Our past conflicts over the border should be forgotten and I hope that a climate of understanding between the two countries will help to resolve our differences," the Laotian president added.

Mr Noubak said the border demarcation should be resolved at the ministerial level in September, when both the Thai-Lao Joint Commission and the Joint Boundary Committee are due to gather.

However, if an agreement could not be reached, Mr Banhan suggested the two leaders take the matter into their own hands.

The two also touched on other bilateral issues during their meeting yesterday, with Mr Noubak reiterating the interdependent relationship between the two countries.

He said while Thailand needed to purchase electricity from Laos to fuel its industrial growth, Laos required other forms of assistance from Bangkok.

Mr Banhan asked his Lao counterpart to release Thai prisoners in Lao jails who were not sentenced on serious charges to celebrate the 50th anniversary of His Majesty the King's accession to the throne.

**Thailand: Finance Minister Urges Lower Rates To Boost Exports**

BK2006143296 Bangkok BUSINESS DAY in English  
19 Jun 96 p 1

[Report by staff writer]

[FBIS Transcribed Text] Finance Minister Bodi Chunnanon said yesterday that it was up to Thai commercial banks to take the lead in cutting lending rates to help spur trade and investment.

Accepting that lower interest rates could prove inflationary, he said the Ministry had other ways of keeping inflation under control. He reckoned that inflation would be between 5.5 and 5.7 percent this year.

Occurrent lending rates do not encourage exports and they have slowed down investment he said.

Mr Bodi was clearly holding the BOT [Bank of Thailand] in part responsible for the downturn in the economy and could have precipitated a squabble with BOT Governor Wichit Suphinit.

The Cabinet yesterday assigned the Bank of Thailand and the Revenue Department to consider the implications of a reduction in interest rates and corporate tax in an effort to boost exports.

Mr Bodi said after the meeting yesterday that the instruction was intended to help cut down production costs and increase the competitiveness of the private sector.

The decision on how far interest rates should be reduced and the timeframe for implementation depends mainly on the BOT, he said.

As for any reduction in corporate tax this is a matter for the Revenue Department. It will work out what rate will be the most supportive of investment and economic growth.

According to a Bank of Thailand report issued yesterday on Thailand's exports in the first quarter, the growth

rate decreased from 24.3 percent in the same quarter last year to 7.5 percent.

The Cabinet decision prompted mixed reactions. Siri Kancharoendi, BOT assistant governor, said the attribution of the export downturn to the high interest rate policy of the central bank was irrelevant because exporters are entitled to loans carrying specially low interest rates offered by the Export-Import Bank of Thailand.

Mr Siri said the increase in production costs should be attributed to the high inflation rate, not interest rates.

When exports fall back the factors to be considered should be the competitiveness of the country and the purchasing power of its trade partners.

Yada Wattanasiritham, Siam Commercial Bank senior executive vice president, said export slowdown was the result of the increasing costs of raw materials and labor.

The cost of funds has very little impact on exports, she said.

She also thought that at this stage a thorough study needed to be carried out on corporation tax.

Prior to any reduction it would have to be established what other taxes would need to be increased in order to make up for the shortfall in government revenues.

However, she agreed that if the corporate tax were to be lowered from 30 to 25 percent, it would be beneficial to the bank which last year paid more than 5 billion baht in taxes.

Ms Yada said a reduction of interest rates on deposits and loans in the second half of the year was possible and the bank was only waiting for the signal from the BOT.

Supachai Phanitchaphak, former deputy prime minister responsible for the economy, said the export slowdown was attributed to four factors: BOT's high interest rate policy, ineffective trade negotiation, high production costs, and insufficient infrastructure.

#### **Thailand: Officials Warn Against Overreacting to Export Decline**

BK2006143896 Bangkok THE NATION in English  
19 Jun 96 p B2

[Report by Atchara Phongwutthitham, Nitsara Sihanam]

[FBIS Transcribed Text] Commerce Ministry Permanent Secretary Somphon Kiatphaibun has warned the government against over-reacting to the sharp fall in export growth and to wait and see what the real causes of the sluggish performance are before taking further action.

As the debate over the slow export growth has blurred its way into another political issue, on Monday Somphon urged the Cabinet to wait for the ministry's report before deciding what to do. He warned that unwise solutions might complicate the country's macro-economic policy rather than boost exports.

Thailand recorded a disappointing export growth rate of 8.6 per cent in the first quarter, causing concern that the year-end rate might be below the government's target of 20 per cent.

Despite some doubts, Deputy Commerce Minister Montri Danphaibun yesterday strongly insisted that the ministry will not review the 1996 export target of Bt1.66 trillion even though the March results showed a negative growth rate of minus 2 per cent compared to the same period last year.

"The rate is not a serious problem. I believe we can achieve the export target in the later quarters," Montri insisted.

The export value in the first quarter was Bt348.6 billion, a 6.1 per cent increase from the same period in 1995. However, exports in March declined by 6.3 per cent compared to last year.

Somphon said he had already assigned officials at the Business Economics Department to look into the export growth rate sector-by-sector and report to him within a week.

He said the study will be useful when Deputy Prime Minister Annuai Wirawan chairs the export promotion committee on Monday.

In the first quarter this year, apparel, the second most active export item, recorded exports of Bt20.21 billion, or minus-23.7 per cent. Last year, apparel exports amounted to Bt102.01 billion, representing a rise of 1.3 per cent for the whole year.

The export growth of shoes and parts, the eighth most active item, was minus 31.5 per cent in the first three months of this year compared to 36.9 per cent for the whole of last year.

The U.S. ban on Thai shrimp exports largely attributed to the minus 20.5 per cent growth rate for frozen shrimp exports, compared to an increase of 2.3 per cent in 1995.

Somphon said that over the past five years, exports in the first quarters rose 20 per cent. Although admitting that exports in the first quarter this year experienced a sharp drop, he strongly insisted that the figure was "unusual".

He declined to give any reason, saying that he has to look at the results of the study.

He said that not only export but also import growth declined in the first quarter this year.

Nonetheless, Somphon noted that a drastic drop in exports of apparel, textiles and agricultural products was the key factor to dragging export growth down this year.

Textile and garment exports in the first quarter this year declined by 20 per cent compared to the same period last year. Somphon did not give a reason.

Wirot Amattakunchai, president of the National Federation of Thai Textile Industries, earlier explained that exports in the first quarter recorded a minus 3 to minus 5 per cent growth rate due to decreasing demand from the European Union, the world's second largest textile importer.

He also attributed the sluggish sales to an uneven tariff structure for finished products and imported raw materials. He said that, for instance, manufacturers tend to import more because tariffs on finished goods are lower than on raw materials.

Textiles and apparel aside, exporters also found sales sluggish for plastic pellets, at minus 30.5 per cent; printed circuits, at minus 23.6 per cent; travelling kits, at minus 21.1 per cent; frozen chicken, at minus 18.8 per cent; and rubber products, at minus 34.6 per cent.

Officials at the central bank, however, noted that the slow import growth was anticipated as they thought that businessmen would buy less goods this year after they imported a huge amount of capital goods last year.

Central bank staff, however, acknowledged that the slow export growth was totally unexpected.

#### **Thailand: Daily Recommends "Import" Reduction To Solve Export Decline**

BK2106063696 Bangkok BUSINESS DAY in English  
21 Jun 96 p 4

[Editorial: "Slowing Imports More Useful Than Aiding Exports"]

[FBIS Transcribed Text] There was never a great deal of confidence in the economic management of the country under the auspices of [former finance minister] Dr Surakiat so it is tempting to accept that whatever Dr Bodi proclaims is likely to be right. This is especially true when he is avidly reversing schemes that had been put forward by his less than beloved predecessor.

Since his appointment the new finance minister has hardly missed hogging the headlines for a single day. His utterances after Cabinet meetings strongly suggests that he is personally setting the economic agenda and that his colleagues acquiesce in his recommendations.

While welcoming such signs of the economy being directly controlled by the minister who must ultimately be responsible for its health, it would be wrong to assume that Dr Bodi's supreme confidence in his own abilities, necessarily make his policy proposals right.

None of his fellow ministers have criticized his latest brain-child — to cut interest rates and corporate taxes as a means of spurring the sluggish increase in exports. Yet the harsh economic realities are that changes in interest rates and corporate taxes have a great deal more impact on the domestic economy than on export levels.

Because the Thai economy was bailed out in 1995 by soaring export values it would be a mistake to think that we can simply go on selling more and more to overseas buyers. A lot of the 1995 growth was down to the Thai agricultural and horticultural sectors finding ready markets for their produce because some other countries had poor harvests. If that had not been the scenario then the second local harvesting would have driven down food prices at home and knocked a few points off inflation.

Now we are looking at a different backdrop. Other countries who are traditional buyers of Thai products have been experiencing lower growth themselves and similar categories of goods to ours are increasingly being made available by low cost producers from China and the former Soviet bloc. Clearly in such circumstances any growth in exports over the previous year's levels are unlikely and an 18 per cent rise for the year will be a considerable achievement.

What is clearly needed — and most practical businessmen can see it — is a reduction in import values. To this extent the fallback in car imports is cheering news. More cheering would be an immediate reduction in tariffs on imported raw materials and semi-manufactures. This would almost immediately ease costs and enable a reduction in factory gate prices.

It would of course be only a first step and is not a panacea for all our economic ills. Thailand's growth has been so fast over recent years that it has outrun infrastructural development and the education and training of the workforce. It has also outpaced, it seems, the ability of politicians to comprehend what is happening in their own backyard.

**Thailand: Editorial Says Banhan Should Allow  
'More Capable' To Govern**

**BK2006142696 Bangkok KRUNGTHEP THURAKIT  
in Thai 20 Jun 96 p 2**

[Editorial: "Those with Capability Should Be Given an Opportunity to Solve National Problems"]

[FBIS Translated Text] The government has instructed new Finance Minister Bodi Chunnanon, whose capabilities are still in question, to tell the Bank of Thailand to reduce local interest rates on loans in a bid to boost national exports following a slowdown in exports during the first quarter of this year due to a lack of competitiveness in foreign markets. This again reflects the ineptitude in the monetary and fiscal management of the Banhan Sinlapa-acha government.

The government thinks that reductions in interest rates will encourage the private sector to borrow money to use in the manufacture of export-oriented goods. Experts at the Bank of Thailand had already noted that they did not think high interest rates were the cause of the slowdown in export projects; instead, it was the lack of economic stability caused by inflation and the current account deficits that made it impossible to achieve export growth targets.

Reductions in interest rates could even aggravate the inflation and account deficits because a growth in investments as a result of lower interest rates would also increase the demand for imports. With worsening inflation, the cost for the production of export goods would increase, and that would also mean a higher price for our exports. Again our exports would be uncompetitive in the world markets. Thailand already has an export-import bank to service this sector. The government's order to the Bank of Thailand to reduce interest rates does not seem to be an answer to the problem.

To solve the problem, we, on the other hand, support the proposal to promote investment in skilled labor development in order to reduce the production costs of export-oriented goods. The previous government had already initiated a plan for the development of skilled labor. We wonder why this government did not take up the project and continue with the plan in a concrete manner. This is inconceivable. It reflects the present government's lack of a clear vision and efficiency in solving the country's economic problems, which must be done in an overall context. The reduction of interest rates is only a short-term measure, and there is no guarantee that the measure would achieve the expected result.

This government has no time for administration because most of the time has been used to resolve the political problems caused by cabinet ministers. The real cause of the problem, however, came from the prime minister himself. The prime minister did not think carefully when he appointed his cabinet ministers. He named cabinet ministers out of concern for the government's survival without taking into account the capability of each cabinet minister. Thus, less than 20 percent of his cabinet ministers are qualified for the jobs assigned.

If the prime minister wants to continue in office, we advise him to carry out a major cabinet shakeup by removing all unqualified cabinet ministers from the team. Yet, it would be better if Banhan Sinlapa-acha resigned as prime minister and let others who are more capable form a government. This would result in a better outcome for the country to be able to recover from the economic ills from which it has suffered for quite some time.

### Vietnam

**SRV: Tay Trang Customs Recovers Counterfeit  
\$100 Bills**

**BK1806134355 Ho Chi Minh City CONG AN THANH  
PHO HO CHI MINH in Vietnamese 12 Jun 96 p 1**

[Report by D. H.]

[FBIS Translated Text] According to the Customs General Department, while checking entry permits for passengers from Meuang Khao district (in Laos) to Dien Bien, the customs service of Tay Trang discovered one Lo Van Ky (born in 1960 of Thai background from Thanh Xuong in Dien Bien district of Lai Chau province) carrying 75 counterfeit \$100 bills. During interrogation, Ky admitted that he had been asked to carry these fake notes by Kham La (or Thao La, born in 1975, Lao citizen) and Xieng Thoong Chan (born in 1959, Lao citizen) to a Vietnamese person — Pan Phuong, who was living in Thanh Yen village of Dien Bien district, Lai Chau province. Ky was paid 500,000 dong. Ky was aware that these notes were fake, yet he still violated the law for money.

Before that, the Tay Trang customs service arrested Nang Ni and Nang Khon, both Lao citizens, for trafficking 1.8 kilograms of opium from Laos to Vietnam.

Despite its poor communications system and means of transportation, the Tay Trang customs service (under Lai Chau Customs Department) showed the highest sense of responsibility by excelling in its role as guards of the western border of the fatherland.

**SRV: Palestine's 'Arafat, Delegation Arrive for Visit**

**BK1906103696 Hanoi Voice of Vietnam in English**  
**1000 GMT 19 Jun 96**

[FBIS Transcribed Text] The president of the state of Palestine and chairman of the Executive Committee of Palestinian Liberation Organization, Yasir 'Arafat, arrived in Hanoi on Wednesday, beginning his sixth visit to Hanoi. President 'Arafat is accompanied by senior leaders of the state of Palestine.

The Vietnamese national newspaper NHAN DAN editorially welcomes the visit by President 'Arafat, saying that this visit is a manifestation of the traditional solidarity and friendly relations between Vietnam and Palestine.

**SRV: President Attends Welcoming Ceremony for 'Arafat**

**BK1906142696 Hanoi Voice of Vietnam Network**  
**in Vietnamese 1100 GMT 19 Jun 96**

[FBIS Translated Text] According to Vietnam Radio, His Excellency Yasir 'Arafat, president of the state of Palestine and chairman of the PLO Executive Committee, and a high-level delegation of the state of Palestine have arrived in Hanoi to begin an official friendship visit to our country at the invitation of State President Le Duc Anh. This sixth Vietnam visit by President 'Arafat further confirms the friendly relations and traditional unity between our people and the Palestinian people as well as other Arab peoples striving for the common cause of peace, national independence, cooperation, and development.

At 1715 today, an official ceremony for state leaders was solemnly held in the Presidential Palace Square to receive President 'Arafat and his entourage. After warmly welcoming the distinguished guests, President Le Duc Anh invited President 'Arafat to stand on the honor podium in the square as an Army band played the national anthems of Vietnam and Palestine. President Le Duc Anh then guided President 'Arafat in viewing the Vietnam People's Army honor guard and meeting the high-level government leaders at the ceremony.

Deputy Prime Minister Nguyen Khanh, Foreign Minister Nguyen Manh Cam, Presidential Office Director Nguyen Viet Dung, Hanoi People's Committee Chairman Hoang Van Nghiem, and many high-ranking government officials attended the ceremony. After the ceremony, President Le Duc Anh warmly received His Excellency Yasir 'Arafat at the Presidential Palace.

**SRV: President, Visiting 'Arafat Address State Banquet**

**BK1906150496 Hanoi VNA in English**  
**1451 GMT 19 Jun 96**

[FBIS Transcribed Text] Hanoi VNA June 19 — Vietnam has persistently supported the Palestinian people's just struggle for fundamental rights including the rights to self-determination and to [word indistinct] up an independent state of Palestine, President Le Duc Anh said.

In his speech delivered at a state banquet held in Hanoi this evening in honour of visiting President Yasir 'Arafat, President Anh said: 'We welcome the holding of the Middle East Peace Conference, the Arab Israeli talks on the basis of the United Nations Security Council's Resolutions 242 and 338 and in principle of 'land-for-peace'.

'We appreciate the recent agreements reached by the PLO and Israel, particularly the agreement on autonomy given to the Palestinians in the Gaza Strip and the West Bank,' the Vietnamese leader said, describing this as a 'positive step in the process of seeking a fair and reasonable solution to the Middle East issue, creating prospects for a comprehensive solution to the Arab-Israeli conflict, bringing in a durable longlasting peace in the region.'

'We are confident that the Palestinian people's cause, led by President 'Arafat and enjoying the sympathy and strong support of the peace-and-justice loving people over the world, will win the final victory,' President Anh stressed.

President 'Arafat then praised the clear-sighted leadership of the Vietnamese Party and Government, and great achievement recorded by the Vietnamese people in their national renovation.

He affirmed that 'the bilateral cooperative and friendly ties between the two governments and peoples are durable ones,' and that 'the friendship between the two countries has been constantly consolidated'.

He stressed that the Palestinian people could rely on their strength and the support of the peace-loving people in the world. To go ahead to fulfill their national cause, building an independent Palestine State with Jerusalem as the capital.

Taking this opportunity, President 'Arafat wished great successes to the eighth party congress of the Vietnamese Communist Party to be held on June 28. President of the Palestine State Yasir 'Arafat, who is also chairman of the Executive Committee of the Palestine Liberation Organization (PLO) arrived here this morning for a two-day visit.

# **SRV: Presidents Le Duc Anh, Yasir 'Arafat Hold Talks**

*BK2006152196 Hanoi Voice of Vietnam Network  
in Vietnamese 1100 GMT 20 Jun 96*

[FBIS Translated Text] President Le Duc Anh held talks at the Presidential Palace this morning with His Excellency Yasir 'Arafat, president of the state of Palestine, chairman of the National Administration of Palestine, and chairman of the Executive Committee of the Palestine Liberation Organization [PLO].

Attending the talks on the Vietnamese side, were: Nguyen Viet Dung, head of the Presidential Office; Deputy Foreign Minister Nguyen Dinh Bin; Do Van Tai, deputy chief of the party Central Committee External Relations Department; Nguyen Nhac, deputy minister of planning and investment; Deputy Finance Minister Vu Mong Giao; and other high-ranking officials.

On the Palestinian side were: Al-Tayyib 'Abd-al-Rahman, secretary general of the Presidential Palace; (Suleyman Ansurape), private presidential envoy; Sa'id Khalil al-Masri, Palestinian ambassador to Hanoi; Dr. (Atid Alone), deputy finance minister; and other high-ranking officials.

President Le Duc Anh warmly welcomed the official friendship visit to Vietnam by President Yasir 'Arafat and the high-ranking Palestinian state delegation. In his words, the Palestinian guests have brought with them the Palestinian people's warm sentiments of solidarity and friendship toward the Vietnamese people. He asserted that the visit reflected the common aspirations of the Vietnamese and Palestinian leaders and peoples to constantly consolidate and develop the traditional friendship and cooperation between the two countries.

President 'Arafat expressed his pleasure at visiting Vietnam again, particularly now that active preparations are being made for the Eighth Congress of the Communist Party of Vietnam [CPV]. He sincerely thanked the Vietnamese party, state, government, and people for according his delegation a solemn and warm welcome.

President Le Duc Anh informed the Palestinian guests that the great and very significant achievements of the comprehensive renovation undertaking have created the conditions for Vietnam to enter a new stage of development. He also introduced the results of Vietnam's foreign policy of independence, sovereignty, diversification, and multilateralization.

With regard to the preparations for the CPV's Eighth Congress, President Le Duc Anh stressed: The congress will carry on the renovation undertaking in order to quickly shift the country to a period of industrializa-

tion and modernization. He highly valued the important achievements that the Palestinian people have scored over the past years under the leadership of the PLO led by His Excellency President 'Arafat. He reiterated the unswerving support of the Vietnamese party, government, and people for the Palestinian people's just struggle to wrest back their fundamental national rights. He emphatically said: Vietnam supports the Mideast Peace Process based on United Nations Security Council [UNSC] Resolutions 242 and 338 and on the principle of land for peace to reach a fair and lasting solution for the region and to meet the interests of all the parties involved.

President 'Arafat highly valued the great achievements brought about in Vietnam by the renovation process and foreign policy of openness, diversification, and multilateralization. He also expressed sincere and profound gratitude to the Vietnamese party, government, and people for the wholehearted support and assistance they have always reserved for the Palestinian people, especially when the latter found themselves in the most difficult of situations.

President 'Arafat informed the Vietnamese president of the initial yet important achievements that the Palestinian people have scored in their protracted and arduous struggle for sacred national rights, including the right to self-determination and the establishment of an independent state of Palestine. He also briefed President Le Duc Anh on the latest developments in the Middle East and asserted that under all circumstances, the Palestinian people will do all they can to develop past achievements and to maintain and promote the Mideast peace process in order to reach a fair and lasting political solution and to contribute toward peace and stability in the region and the rest of the world.

The two presidents noted with pleasure that the solidarity, friendship, and cooperation between Vietnam and Palestine have constantly been consolidated and developed for many years now thanks to the common efforts of the two peoples.

The two delegations discussed the orientations and measures to promote bilateral cooperation in the days ahead and also exchanged views on regional and international issues of common concern.

The talks took place in an atmosphere of friendship and complete mutual understanding.

**SRV: Leaders Receive Visiting Palestinian President**  
*BK2006154796 Hanoi Voice of Vietnam Network  
in Vietnamese 1100 GMT 20 Jun 96*

[FBIS Translated Text] Party General Secretary Do Muoi received this afternoon His Excellency Yasir 'Arafat, president of the State of Palestine, and other members of the high-ranking Palestinian delegation who are on an official visit to Vietnam.

President 'Arafat sincerely thanked General Secretary Do Muoi and expressed the profound sentiments of the Palestinian leaders and people for the great and brotherly assistance that the Vietnamese people have given and are continuing to give to the Palestinian people during their prolonged and arduous struggle for an independent State of Palestine. He hoped that the friendly and brotherly cooperation between the two countries would continue to grow in the future.

President 'Arafat briefed General Secretary Do Muoi on essential issues with regard to the situation in Palestine since the Palestine Liberation Organization [PLO] and Israel signed an agreement on 28 September 1995 on the expansion of autonomy of the Palestinian people on the West Bank of the Jordan River. He also discussed the process of implementation of the peace accord, and especially the situation regarding the peace process in the Middle East following the recent prime ministerial election in Israel.

General Secretary Do Muoi welcomed the visit to Vietnam by His Excellency 'Arafat and affirmed the sentiments of the Vietnamese people, who always remain close friends to the brotherly Palestinian people. He stressed that the Vietnamese people understand and admire the prolonged and strenuous struggle by the Palestinian people for an independent State of Palestine. The example of the struggle of the Palestinian people was a great encouragement in the struggle to unify the country of the Vietnamese people in the past, as well as in the national construction undertaking at present.

General Secretary Do Muoi expressed his pleasure at the preliminary results of the peace process in the Middle East and hoped that the process would continue to develop. He also hoped that the Palestinian people and the peoples of other countries in the region would unite to fight for peace and stability. He affirmed the continual support of the Vietnamese people for the State and people of Palestine, a state which is being acknowledged and supported by many countries in the world.

On behalf of the party and state, General Secretary Do Muoi expressed his wish that the people of the State of Palestine would achieve their noble goal of an

independent state and for a happy and prosperous life for the people.

Prime Minister Vo Van Kiet also paid a courtesy visit today to Palestinian President 'Arafat and chairman of the PLO. Prime Minister Vo Van Kiet wished President 'Arafat good health and a successful visit, a visit which carries important significance in Vietnamese-Palestinian relations. On behalf of the government and people, the prime minister sincerely thanked the PLO and the Palestinian people for their valuable support during the struggle for national independence in the past and in the current national construction and protection undertaking. He expressed his joy regarding the preliminary and significant successes of Palestinian people in the struggle for autonomy, socioeconomic stability, and in the building of a new life on their beloved motherland.

President 'Arafat expressed his happiness over his sixth visit to Vietnam, where he has had an opportunity to witness the excellent achievement that the Vietnamese people have scored in their renovation undertaking under the leadership of the glorious Communist Party of Vietnam. He thanked Prime Minister Vo Van Kiet for visiting him and thanked the Vietnamese people for their fine sentiments toward the PLO and the Palestinian people, especially at the most difficult of times. The sentiments demonstrate the friendly, steadfast, and time-tested relationship between the two countries. He expressed his delight at the unswerving friendship between Palestine and Vietnam and stressed that cooperation with Vietnam for mutual development is an aspiration of Palestine.

**SRV: Palestinian Leader 'Arafat Concludes Visit**  
*BK2006162096 Hanoi Voice of Vietnam Network  
in Vietnamese 1100 GMT 20 Jun 96*

[FBIS Translated Text] The farewell ceremony to mark the conclusion of the Vietnam visit by the president of the State of Palestine was held this afternoon at the Presidential Palace. Present at the farewell ceremony were President Le Duc Anh, Deputy Prime Minister Nguyen Khanh, Hanoi People's Committee Chairman Hoang Van Nghien, President Office Head Nguyen Viet Dung, and many other high ranking cadres. Mr. Sa'id Khalil al-Masri, Palestinian ambassador to Vietnam, addressed the ceremony.

President Le Duc Anh said he hoped and believed that the visit by the high ranking Palestinian delegation would strengthen the traditional and friendly Vietnam-Palestinian relations. He wished President 'Arafat and other guests a safe return home.

President 'Arafat once again thanked the Vietnamese leaders for having created favorable conditions, which

made his visit a success. He also thanked the close sentiments and valuable support of the Vietnamese people for the Palestinian people in their national liberation undertaking. He believed the friendly and cooperative relations between the two countries would never stop developing.

On the morning of 20 June, the president of the State of Palestine laid a floral wreath, then paid a visit to the mausoleum of President Ho Chi Minh.

**SRV: 'Commentary' Praises Consolidating Relations With PLO**

*BK2006035796 Hanoi Voice of Vietnam in English 1000 GMT 19 Jun 96*

[Station commentary]

[FBIS Transcribed Text] The president of the State of Palestine and chairman of the Executive Committee of the Palestine Liberation Organization [PLO], Mr. Yasir 'Arafat on Wednesday starts an official friendship visit to Vietnam. Here is our comment:

This is the sixth visit to Vietnam by Mr. 'Arafat. This visit takes place at the time Palestinian people under the PLO leadership have gained a decisive victory in the glorious revolutionary cause. The signing of the Gaza-Jericho agreement between Palestine and Israel on limited autonomous right of Palestinians in May 1994 and the agreement on the expansion of the autonomous right of the Palestinians on the West Bank of the Jordan River in September 1995, which ended Israel's 28 years of occupation was a significant step in the Middle East. Election in January this year and the establishment of the 26-member cabinet of the Palestinian administration were a new development in Palestinian self-management in the autonomous areas.

These victories have laid foundation for the creation of an independent state of Palestine in the homeland and it meets the aspiration of Palestinian people. However, the Middle East peace process faces new difficulties with the victory of Prime Minister Netanyahu in the Israeli election.

Vietnam and Palestine have been close to each other in the long struggle for noble goals. Both countries are determined to consolidate and develop this traditional friendship and cooperation. In November 1988, Vietnam recognized the State of Palestine with its representative office in Hanoi officially becoming the Palestinian Embassy. Following the visit to Vietnam by Mr. Yasir 'Arafat in April 1994 and the Palestinian foreign minister, Faruq Qaddumi, in May 1994, Vietnamese Deputy Prime Minister Nguyen Khanh has visited the Palestinian Liberation Organization headquarters in (7Tunis).

Vietnam and Palestine signed a trade agreement in November 1994. In his coming visit to Vietnam, President 'Arafat will hold talks with Vietnamese leaders to promote cooperation in economic, scientific, technological, and commercial fields.

**SRV: Foreign Minister Officially Requests APEC Membership**

*BK1806152796 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 18 Jun 96*

[FBIS Translated Text] Foreign Minister Nguyen Manh Cam recently sent a note to Foreign Minister Domingo Siazon of the Philippines — the host country for the 1996 APEC [Asia-Pacific Economic Cooperation] Summit — expressing Vietnam's wish to become an official member of APEC. Established in November 1989, APEC now has 18 member countries that dominate nearly 40 percent of the world population, 56 percent of the world GDP, and 46 percent of world trade.

APEC members are official clients and important trade partners of Vietnam. More than 80 percent of Vietnam's import-exports and foreign investments came from these countries.

By joining ASEAN, AFTA [ASEAN Free Trade Area], and other economic organizations in the region, and with its official request to join APEC, Vietnam is reiterating its consistent policy of promoting diversified and multilateral international relations. It is promoting its efforts to integrate into the regional and world community, accelerate cooperation, and positively contribute to the cause of peace, stability, and cooperation for development in Asia and the Pacific.

**SRV: China's Li Peng To Attend National Party Congress**

*BK2106103396 Hanoi Voice of Vietnam in English 1000 GMT 21 Jun 96*

[FBIS Transcribed Text] Chinese Prime Minister Li Peng will lead a delegation to the eighth national congress of the Communist Party of Vietnam in late this month.

Li Peng will be the most senior Chinese official to attend the Vietnam's party congress.

He is expected to stay in Vietnam for two days and hold talks with Party Secretary-General Do Muoi on 27 June — on the eve of the party congress.

**SRV Ministry Reviews Marine Research in Spratlys, East Sea**

*BK2106073196 Hanoi VNA in English*  
*0653 GMT 21 Jun 96*

[FBIS Transcribed Text] Hanoi VNA June 21 — The Ministry of Aquatic Products held a gathering in Hanoi on Thursday to review a programme to study marine resources in the East Sea and near the Truong Sa (Spratly) islands. The programme has been conducted pursuant to an instruction issued by the prime minister on August 5, 1993.

Since the beginning of the 20th century, a series of research on Vietnam's marine resources has been undertaken by both Vietnamese and foreign organizations with the results of several research schemes publicized. However, most of these schemes have targetted traditional marine resources in the waters close to Vietnam's coast.

Under the programme, the Ministry of Aquatic Products has conducted many studies on marine resources in the East Sea and the areas around the Spratlys with the close cooperation of other relevant ministries and agencies. These include the evaluation of Vietnam's fish potential, marine product resources in Vietnam's off-shore regions, and marine creature resources in the Spratlys, protection of Vietnam's maritime aquatic products, and the building of a statistical model for fisheries.

**SRV: Cambodia's Ranariddh Receives Ho Chi Minh City Delegation**

*BK1906025596 Hanoi VNA in English*  
*1429 GMT 18 Jun 96*

[FBIS Transcribed Text] Hanoi VNA June 8— Cambodia's First Prime Minister Norodom Ranariddh received in Phnom Penh this morning a visiting delegation from Ho Chi Minh City led by Vice-Chairman of the People's Committee Le Minh Chau.

Prime Minister Ranariddh said that regarding economic development, especially in investment, trade and tourism, Ho Chi Minh City could share its experiences with Phnom Penh, a city now under reconstruction after two decades of war.

He also expressed his hope that closer bilateral cooperation will help develop both cities and avoid side-effect consequences which may happen as in other regional cities, particularly traffic congestions and environmental pollution.

Visiting Phnom Penh from June 17-19, the delegation aims to seek opportunities for bilateral cooperation

between the two cities in investment, trade, tourism, environmental protection and urban management.

**SRV: 'Commentary' Reviews Relations With France**

*BK2106082496 Hanoi Voice of Vietnam in English*  
*1000 GMT 20 Jun 96*

[Station commentary]

[FBIS Transcribed Text] The French Parliament has held a seminar on exploring investment opportunities in Vietnam. Our radio comment on the event and on French-Vietnamese relations:

The seminar told French businesses to understand Vietnam's economic reform so that they could seek opportunities in Vietnam. The seminar was attended by 200 business representatives, scholars, and senior officials. Most discussions highlighted Vietnam's comprehensive achievements in economic reform, specially in improving its legal framework. Many speakers thought Vietnam's renovation should be a learning experience for those countries wanting to shift to a market economy.

Relations between Vietnam and France entered the new stage following the Vietnam visit of French President Francois Mitterrand and visits to France by Vietnamese leaders. Cooperation between Vietnam and France has been developing in every field, especially in trade, investment, and cultural, scientific, and technical cooperation.

Since 1977, over 10,000 Vietnamese people have studied in France. France has assisted Vietnam build urban water supply and sewage systems and bridges and water sluices in other areas. France also contributed to upgrading Vietnam's telecommunications network and upgrading Vietnam's conference equipment.

France now ranks third among Western countries in trading with Vietnam. Two-way trade turnover stood at 2.6 billion franc two years ago. The figure now is much higher. France has assisted Vietnam in integrating into the world community, especially in restoring its ties with international financial institutions.

France has also granted Vietnam \$17 million in non-refundable aid to pay debts. France ranks second after Japan in providing overseas development assistance to Vietnam.

At present, France ranks the fifth among foreign investors in Vietnam with 70 projects capitalized at \$800 million. A number of French major companies, including the oil company Total, are operating successfully in Vietnam. France has founded a support Vietnam group to help Vietnam clear its debts to international financial

institutions. France is the most active country in assisting Vietnam in preparing for the Francophone summit to be held in Hanoi next year.

The recent seminar was to help French businesses capitalized on the developing relations and cooperation.

**SRV: Intergovernmental Commission Meets in Moscow**

*BK1606103796 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 15 Jun 96*

[FBIS Translated Text] The Vietnam-Russia Intergovernmental Commission for Scientific-Technological Cooperation convened its fourth meeting in Moscow from 6-13 June. The Vietnamese delegation was headed by Professor Xuan Hao, deputy minister of science, technology, and environment and chairman of the Vietnam-Russia Subcommittee for Scientific-Technological Cooperation.

The two sides unanimously concurred regarding the need to further promote cooperation in the days ahead by carrying on with the technology transfer projects already agreed upon and by promoting different forms of scientific-technological cooperation through the establishment of joint laboratories and the expansion of the specialist exchange program.

The Vietnamese delegation toured an exhibition on a conference of national scientific centers, high technologies, and Russian investment projects. It also visited a number of scientific establishments and was received by Boris Georgiyevich Saltykov, minister of science and technical policy.

**SRV: Spokesperson Affirms Desire To Develop Russian Ties**

*BK1906123996 Hanoi Voice of Vietnam in English 1000 GMT 19 Jun 96*

[FBIS Transcribed Text] A spokesperson for the Vietnamese Foreign Ministry said Vietnam wanted to develop relations and cooperation with Russia no matter following the Russian election. Speaking in Hanoi on Tuesday (18 June), the spokesperson noted that Vietnam considers the election an internal issue of Russia.

**SRV: Government Urges Promoting 'Import Substitutes' Products**

*BK2106021596 Hanoi VNA in English 1502 GMT 20 Jun 96*

[FBIS Transcribed Text] Hanoi VNA June 20 — Faced with the increasing trade deficit, the government has adopted a policy to promote the local production of

import substitutes by reducing 50 per cent of sales tax for one to two years.

The import substitutes to benefit from this preferential tax policy are products of modern technology that required large amounts of capital to be invested. Vietnam has to import in large volumes several products such as chemicals, materials and equipment commonly used in the petroleum industry, telecommunications, electricity and textiles and garments.

An official at the Ministry of Planning and Investment said 22 items are listed import substitutes this year as compared to 14 in 1995.

To cite a few: phosphoric acid of 85 percent volume, sodium tripolyphosphated, calcium chloride and barite to be used in drilling muds, optical fibre cables, aluminium alloy cables, microwave transmitters with a 1-5 channel capacity, polyvinyl chloride pellets, sports shoe soles (Reebok standards) water pumps with a capacity of 8,000 cubic metres per hour and over.

Hence, any enterprise whether domestic or foreign-invested that can produce these goods is will qualified.

However, many enterprises said they were not keen on producing import substitutes because of complicated processes and high costs for which the reduced tax could not compensate. Therefore, of the import-substitute products listed for 1995, only four were actually manufactured.

Some manufacturers wished the government to exempt of reduce turnover tax for more than two years since the production of import-substitute goods requires big investment.

According to VIETNAM NEWS this opinion was shared by industry Deputy Minister Nguyen Xuan Chuan.

'Investment in high-tech industry to produce good quality goods requires big capital and is rather risky,' he said.

Chuan believed the government ought to give an impetus to the production of high-quality import-substitute goods by granting a period of tax exemption or reduction long enough for the manufacturer to recover capital.

This period would last seven years at least for industrial production.

Besides, giving impetus to production is not enough, many industrialists said. The government must at the same time levy higher import tax on the goods Vietnam could produce, and give low-interest credits and a grace period to manufacturers.

**SRV: Indonesia Signs Contract To Install Wireless Telephones**

*BK1506101696 Hanoi VNA in English  
0628 GMT 15 Jun 96*

[FBIS Transcribed Text] Hanoi VNA June 15 — A trade contract on deployment of a fixed wireless telephone system GMH 2000 in Hanoi was signed here on Thursday by the Post Materials Company (Coky-Vina) under the general Department of Post and Telecommunication and the Barkie Group of Indonesia.

Under the contract, the two sides will cooperate to build and equip a new fixed wireless telephone system in Hanoi with a capacity of 20,000 telephones under [words indistinct] local loop technology of Hughes Firm of America.

The contract has an estimated investment capital of USD20 million, half of which is for the stage I.

**SRV: Automobile Industry Reaches Another Step in Development**

*BK1906134496 Hanoi VNA in English  
0751 GMT 19 Jun 96*

[FBIS Transcribed Text] Hanoi VNA June 19 — Vietnam's automobile industry has reached another step in development after the release of locally-made Daihatsu automobiles on the market in early June by the Vietindo Daihatsu Automotive Corporation, the fourth joint venture to conduct operations in the industry.

Other three ongoing automobile joint ventures include the Mekong Corporation which is a partnership between the Co Loa Mechanical Engineering Plant, the Japanese company, Seilo Machinery, and the South Korean Firm, Sea Young. Total investment is about USD36 million for two plants in Hanoi and Ho Chi Minh City.

Another joint venture is the VMC Company involving the Hoa Binh automobile plant under the Ministry of Transport, Trancimex under the Ministry of Trade and the Columbia Motor Corp and Imex Pan-Pacific of the Philippines. The joint venture company has investment capital of USD30 million.

The last of the four ongoing joint ventures is the USD50-million Vinastar Company between Vi-etancimex of the Ministry of Trade, Proton under the Persusahaan National Automotive Corporation of Malaysia and Mitsubishi of Japan. The three companies are yet to persuade Vietnamese customers to use their Mekongstar, Vinastar and Iveco vehicles due to their low quality but high prices, so each has sold only 1,000 vehicles a year.

Vietnam has so far granted licences to 12 joint venture companies with combined capital of around USD700 million to turn out 160,000 units annually in comparison to the 60,000 which may be required by the year 2000. This means that the design capacity of the automobile industry will be as 2.2 times higher than demand, not counting other foreign companies such as Peugeot-Citroen, Hino Vietnam, Nissan and Hyundai awaiting licences.

Asked by a Vietnam News Agency correspondent whether investment in the automobile industry is too high, Deputy Industry Minister Nguyen Xuan Chuan quoted the government-submitted industry master plan which says that should Vietnam fail to develop an automobile industry to the year 2000, the country will spend USD1.4 billion on imported vehicles, but in the case of development of the industry to achieve a localisation rate of 30 percent, the country would gain around USD250 million annually in ten years' time. This is equivalent to the profit derived from exports of rice grown by millions of farmers as against only 10,000 workers needed by the automobile industry.

The deputy minister warned that should relevant companies fail to reach agreement on the production of spare parts and components for various kinds of vehicles rushed onto the local market by joint venture companies, it will be difficult for auxiliary industries to develop and for the automobile industry in general to make a profit.

As far as localisation is concerned, the government has required automobile joint ventures to have five percent of their components produced locally in five years from operation and 30 percent in ten years. In fact, the three on-going joint venture companies have so far assembled vehicles on a CKD [completely knocked down] basis from ready-painted frames, bodies and components, neglecting component production in Vietnam. To address the problem, says the deputy minister, the Ministry of Industry is in the process of developing policies to grant tax incentives to foreign companies proportionate with localisation rates.

Asked to comment on why foreign automobile companies including major ones preferred investing in Vietnam, a country with more income share of USD200 a year, Deputy Minister Chuan said:

"They have found in Vietnam a reliable and long-term market of over 80 million people by the year 2000 and a potential labour force. To make shape the automobile industry, it takes from 15 to 20 years, therefore investment should be made immediately so that a contingent of qualified workers and managers can be trained."

"In a country like Vietnam which wishes to boost its economy, the automobile industry should certainly be established," the deputy minister confirmed, adding that as the country builds and upgrades the transport system, demands for vehicles will increase much more than the present.

**SRV: Role of Industrial Centers, Processing Zones Viewed**

*BK1906134796 Hanoi NHAN DAN in Vietnamese  
14 Jun 96 pp 1, 2*

[Article by Ngu Phong: "Contributions of 17 Industrial Centers and Processing Zones Toward National Industrialization and Modernization"]

[FBIS Translated Text] Since 1991, with the approval of the Government, 17 industrial centers and processing zones have been set up in Ho Chi Minh City, Hanoi, Hai Phong, Quang Nam-Danang, Can Tho, Song Be, and Ba Ria-Vung Tau along with efforts to expand or upgrade already existing industrial facilities in our country.

Along with the laws on foreign investment in Vietnam, local investment promotion, and private and state business establishments, the regulations on industrial centers and processing zones have clearly indicated that it is our state's policy to welcome and encourage Vietnamese and foreign organizations to invest in infrastructure building, assembly or manufacture of industrial products through subcontractual work to meet local and export demands, and provision of support services to industrial production. So far, industrial centers and processing zones have drawn more than \$1.8 billion in infrastructure investment capital from 190 business organizations, including 161 foreign business establishments, thus accounting for more than 8 percent of the total value of direct foreign investment in Vietnam.

The feasibility of industrial centers and processing zones has become more obvious with every passing day. Hundreds of investment projects have become operational in Tan Thuan (73 projects), Bien Hoa 2 (69 projects), and Song Than (41 projects). Meanwhile, infrastructure building is under way at the Linh Trung, Go Dau, A Tuy Ha, Can Tho, Danang, Amata, Vietnam-Singapore, Noi Bai, Sai Dong, Hai Tu, My Thuan A, Loteco, Nomura, and Hai Phong industrial centers and processing zones. Many investors have begun to register for site leasing to build enterprise at these industrial centers. At the time of initial business registration, investors planned to build medium- and small-size enterprises to manufacture export products through subcontractor work or to provide support services to industrial production. Now they have formulated many foreign-invested projects of great value to build heavy industrial centers like the

petrochemical, chemical product, and energy development enterprises in Go Dau and Bien Hoa 2. It is worth noting that many Vietnamese business organizations of different economic sectors have boldly invested in infrastructure building at seven industrial centers.

The investment in industrial centers and processing zones has helped boost economic growth, export activities, budget revenue collection, and job development, thus playing a considerable role in the process of industrialization and modernization.

Nonetheless, efforts must be made to resolve a number of problems. For example, an industrial center development master plan for the whole country is still nonexistent. Despite the fact that the Government has decided to set up only 17 industrial centers and processing zones (the license granted to an infrastructure development project at the Do Son-Hai Phong processing zone has been revoked), the people's committees of a number of localities like Dong Nai, Hanoi, Quang Nam-Danang, and Ho Chi Minh City have approved the building of more than 20 other industrial centers.

The building of industrial centers and processing zones without adequate preparations and detailed planning will easily lead to difficulties with compensations, site clearance, and infrastructure building, thus causing unnecessary problems to investment capital mobilization and implementation of local and national socioeconomic development projects.

Furthermore, although seven management committees have been set up to oversee the operations of local industrial centers and processing zones, no steps have been taken to form a national management committee. The absence of a central management agency and adequate management mechanisms has led to a situation where management committees do not know for sure how to discharge their duties and exercise their rights over industrial centers and processing zones in an appropriate manner.

**SRV: Southern Province To Complete New Industrial Zone**

*BK1506134096 Hanoi Voice of Vietnam Network  
in Vietnamese 1100 GMT 14 Jun 96*

[FBIS Translated Text] In order to speed up the process of industrialization and the modernization of production activity, Tien Giang Province is focusing its efforts on the completion of the industrial zone located in the Binh Duc commune of Chau Thanh District.

The industrial zone is located on a 100-hectare piece of land on the bank of the Tien River, a location that is convenient for both land and river transport. The port of

the zone can accommodate ships with a capacity over 3000 tonnes.

The industrial zone is part of the plan to expand My Tho City to the year 2000. At present, a number of major joint ventures with France and Hong Kong are operating officially in the industrial zone, and some others are in the process of preparation.

**SRV: Prime Minister Discusses Ho Chi Minh City Development**

*BK1506101796 Hanoi VNA in English*  
*0623 GMT 15 Jun 96*

[FBIS Transcribed Text] Hanoi VNA June 15 — Prime Minister Vo Van Kiet called for special attention to the on-going uncontrolled construction by individuals in urban areas which has been breaking down macro-development projects during his working session yesterday with Ho Chi Minh City's (HCMC) People's Committee on the development of Vietnam's largest city.

The HCMC's People's Committee reported to the prime minister its plan to reconstruct and develop the city's central region, and projects for high-rise buildings. Facing with the facts that in central HCMC now there still are slums which provide shelter to more than 6,000 households and that 40 percent of rudimentary structures have been seriously degraded while construction density is high, the city plans to reduce inner city population to three million by [word indistinct] out of the total of 7.5 million. The projected central city will cover 800 hectares with 52 structures to be preserved and will be divided into four sections based on their using purposes. Up to now, 58 high-rise buildings, at an average 16-storey height, have been licensed to be built in the downtown with combined investment capital of more than USD2 billion.

The prime minister reminded the city's authority to take into consideration the people's needs and demands and future social development when mapping out urban development plans. He also discussed development of a new urban area in Thu Thiem in the outskirts of the present HCMC together with the building of a bridge linking the two cities, the reconstruction of the city's biggest market of Ben Thanh and a project to supply safe water for the city.

**SRV: Hanoi Makes Preparations for National Party Congress**

*BK1706153596 Hanoi Voice of Vietnam Network*  
*in Vietnamese 1100 GMT 17 Jun 96*

[FBIS Translated Text] Cadres, party members, and people of all walks of life in the capital city of Hanoi have worked with a great sense of urgency to complete

many projects to ensure the best results for the Eighth National Party Congress. Instead of going on leave or taking compensatory time, 100 percent of local public security officers and personnel have joined hands with other forces in maintaining public security and order and in cracking down on criminal activities and other violations against the law. Units in charge of power or water supply, urban improvement, garbage collection, and city street decoration have completed many projects ahead of schedule to better facilitate the people's daily activities.

The aforementioned preparatory work and the completion of a series of projects in anticipation of the national party congress reflect the sense of responsibility and sentiments of cadres, party members, and people of all walks of life in the capital toward our glorious party.

**SRV: National Assembly Standing Committee Meets 12-15 Jun**

*BK1806124196 Hanoi Voice of Vietnam Network*  
*in Vietnamese 1100 GMT 18 Jun 96*

["Communique" issued by the Vietnamese National Assembly Standing Committee; place and date not given]

[FBIS Translated Text] The National Assembly Standing Committee [NASC] met in Hanoi on 12-15 June under the chairmanship of National Assembly Chairman Nong Duc Manh. Vice State President Nguyen Thi Binh also attended the meeting.

1. The NASC approved the Regulation on Practical Duties and Powers of People's Councils and People's Committees at Each Level and the Resolution on the Promulgation of the Working Regulations of People's Councils at All Levels. The promulgation of these two documents is to create a more legal foundation for people's councils and people's committees at all levels to efficiently carry out their duties and powers and to contribute to the construction and consolidation of the state mechanism in the renovation undertaking.

2. The NASC approved the Regulation on Radiation Safety and Control to increase the efficiency of the state management and to enhance the responsibility of state organs, politico-social organizations, social organizations, economic organizations, units of the people's armed forces, and all citizens in ensuring radiation safety and accelerating the application of scientific and technological advances and international cooperation in the use of atomic power for peaceful purpose.

3. The NASC offered opinions on the draft commercial bill and the draft regulation on the recruitment of reserve

forces. The NASC requests all legislative compilation committees to coordinate with the responsible organs in considering the NASC opinions for further adjustments of the draft bills and to present them to the NASC at the next NASC meeting.

**SRV: Prediction on New Vietnamese Leadership**

BK2106064996 Bangkok THE NATION in English  
21 Jun 96 p A9

[Report by special correspondent from Hanoi: "Vietnamese Military Makes Play for Power"]

[FBIS Transcribed Text] In keeping with past practice, the Vietnamese Communist Party should, by the end of this week, have decided on a new leadership ahead of the Eighth National Party Congress which really begins tomorrow but is not proclaimed open until the 28th, with the latter event more accurately seen as the paraded presentation of the party's secret handiwork.

The new troika — party general secretary, prime minister and president — will have emerged from months of intensive lobbying that has peaked in the battle royal that has occupied two meetings of the 160-odd member Central Committee twice this month (including this week).

The most difficult decision is the choice of party chief. Prime Minister Vo Van Kiet, 74, seems likely to be succeeded by Pham Van Khai, 63, the most capable of his three deputies and a fellow southerner. Foreign Minister Nguyen Manh Cam, 66, from Nghe An, is the leading contender for the more ceremonial president's post.

Two northerners are the main contenders to succeed Party Secretary-General Do Moui, 79, — Nong Duc Manh, the current National Assembly chairman and Le Kha Phieu, the number two man in the Ministry of Defence.

The decision will have more impact on the domestic balance of forces than on the country's long-term strategic policy of trying to catch up with its neighbours, say most analysts.

"This congress is not about policy — that will be continued in basic form. It is about leadership," says one diplomat, "and in that way this Congress is different from (the last one in) 1991 when there was real uncertainty about which way Vietnam would go after the events in Eastern Europe and there were voices calling for multi-party democracy, there is not that happening now."

The military's campaigning for the party chief position indicates they are no longer content with the presidency

which has been filled by former Gen. Le Duc Anh, 76. Besides its important constitutional roles, the military's star has been rising ever since the tumultuous overthrow of communist regimes in Eastern Europe. Despite his control of the police, Romania's President Nicolas Ceausescu fell because he did not have the support of the army is one principal conclusion said to have been drawn from those events by the Hanoi leadership. [as published]

As a result the previous institutional balance between the ministries of Interior and Defence has since tilted in favour of the military, which in the interim has also been bestowed with the ultimate responsibility for handling internal disturbances.

"The military thinks that since they have these important responsibilities they should also have some real power and the question is can the military impose their will on the rest of the party," says one seasoned diplomat. "I think they can although I would be happy to be proven wrong."

Other observers think that Phieu will be passed over this time. They say at 64 years of age he is too young in Vietnamese terms for the top position. They also note that it was only in 1994 that he joined the 17-member Politburo — the communist system's highest decision-making body, membership of which is considered a prerequisite for any of the three key positions.

As a man who has spent his entire career as a political commissar in the military, he has not had enough exposure to economic matters, they say, and that he needs some seasoning, perhaps more international exposure. To date though the three-star general seems to assiduously have avoided contact with foreigners. His only known experience abroad is as many as six years in Phnom Penh with the Vietnamese forces that remained in Cambodia from 1979 after driving the Khmer Rouge into Thailand, until 1989. (His appointment) would send the wrong signal to have a military man there," says one diplomat. He would be the first military man to assume the top party position.

Most Vietnamese sources also insist he is not likely to be promoted because he is not especially well liked, even among some fellow officers, among whom there is the predictable resentment of a political command structure that parallels staff positions. Phieu has apparently never had a battlefield position. (Similar built-in tension exist between local military commanders and civilian authorities, which has led to more than a few meetings between Prime Minister Kiet and President Anh.)

Do Moui apparently attempted to play on this in talks with at least some of the country's nine military

region commanders during the months leading up to the Congress. But at their own conclaves leading up to the Congress the military has chosen Phieu as their man. Popularity has nothing to do with power here," argues another diplomat, pointing to Le Duan and Le Duc Tho, as examples of previous strong leaders in Vietnam's recent past, who were not widely liked either.

At the very least Phieu is likely to be promoted. He already has plans to trade in his uniform for civilian attire and there is at least a strong possibility that he could be elected as party permanent secretary, a position usually held by the general secretary's heir-apparent. He has already filled in for the incumbent, Dao Duy Tung, when the latter was indisposed. Tung is now too ill to assume the higher post.

Even if Phieu were elected (apparently by a show of hands in the Central Committee) it is unlikely that he will alter Vietnam's course very much. This is because of the strong Vietnamese communist tradition of collective leadership, one of Ho Chi Minh's most important legacies.

Of course, as the first among equals he will have some measure of influence how the country pursues its reform process and how much accompanying liberalization there is in other spheres of life.

But as the man in the Politburo currently responsible for combating peaceful evolution — and coordinating the state's response to internal security threats — the prospects seem inclined towards a slowdown in the liberalization, if not a continuation of the tightening up of the system witnessed in the months before the Congress.

More certain though is that if the military succeeds in wresting the party chief position it assures it can continue its own institutional aggrandizement, virtually unimpeded. The armed services have already been an important beneficiary of "doi moi" (economic renovation policy). With its impressive array of assets, both physical and trained manpower, the military is well on this way to becoming one of the country's largest state conglomerates. More political clout will only expand business opportunities and ensure that most of these can be conducted outside the oversight of the government. Even the party's businesses — whose two largest com-

panies had a combined U.S. \$1 billion (Bt25 billion) turnover last year, according to one estimate — now operate under some scrutiny from the government's tax-men. Bac Thai province native Nong Duc Manh, 55, on the other hand, suggests more continuity of the status quo. The former forester, who studied in Leningrad, is generally regarded as not a particularly forceful politician. This would make it much easier for the party apparatus assembled by Do Moui to stay in place (whereas Phieu would surely break that up by bringing in his own people) and to largely control the agenda.

Rumour that Manh might be the progeny of one among the country's pantheon of leaders is dismissed by serious Vietnamese as simply a search for some explanation for the rise to lofty political position by such an apparently unremarkable man. He is a member of the Tay ethnic group but minorities are so marginal in Vietnamese political life that this would apparently not faze the majority low-land Vietnamese, known as Kinh people.

Some observers say the struggle between the party and the military has gone on too long for either side to feel content with the other's candidate final prevailing. To save face — and to clear the atmosphere for a more felicitous Congress — they suggest the possibility that a third candidate will have to be brought forth. As in the past the party strives to have the elected troika acclaimed as nearly unanimously as possible by the 1,000-member Congress. Nguyen Manh Cam is reported to be such a candidate.

Another scenario has Do Moui staying on because of the stalemate, although this might complicate Kiet's departure because the fate of these contemporaries has long been regarded as linked; they either stay or go together. More certain is that Nong Duch Manh seems unlikely to prevail if only because of the affront his victory would mean for the newly assertive military.

Whatever the final outcome of the Congress, the preparations alone, including the extraordinary security precaution, demonstrate that the legacy of Vietnam's martial history is as strong as ever.

The outcome is also likely to show that the popular scheme pitting hard-liner versus reformers is somewhat overdrawn.

**Australia****Australia: Ambassador-Designate to Indonesia Withdraws Nomination**

BK2106102596 (Internet) Australian Broadcasting Corporation Online WWW in English  
0845 GMT 21 Jun 96

[FBIS Transcribed Text] Australia's nominated ambassador to Indonesia, Miles Kupa, has asked for his own nomination to be withdrawn.

Mr Kupa asked for his posting to Jakarta to be cancelled due to a controversy over leaked comments attributed to him, relating to the alleged corruption of the Suharto family.

Mr Kupa had said the controversy would have made it difficult for him to operate effectively as Australia's ambassador.

Announcing the cancellation, the Foreign Minister, Alexander Downer, said Mr Kupa was the victim of unfortunate circumstances.

**Australia: EU Urged To Develop Market-Oriented Reforms**

BK2106070596 Melbourne Radio Australia  
in English 0500 GMT 21 Jun 96

[FBIS Transcribed Text] The Australian Government says the European Union (EU) should develop a new set of market-oriented reforms in the agricultural sector. Alexandra Kirk reports that the deputy prime minister, Tim Fischer, has released a report on how the EU's agricultural policy should progress.

[Begin Kirk recording] The Department of Foreign Affairs and Trade says the EU is confronted with a formidable agenda for its rural sector over the next five years with the commitment to initiate further multilateral negotiations in agriculture in 1999. The report argues for a fairer access for Australian export of the farm product particularly as the EU's trade surplus with Australia continues to grow dramatically. It says the EU is now in a much better economic and political position to rise to the free trade challenges and calls on the EU to be more open to market forces and accept new international commitment from export and domestic subsidies and market access.

**Papua New Guinea****Papua New Guinea: Minister Criticizes 'Unwanted Australian Interference'**

BK2106025796 Sydney THE SYDNEY MORNING HERALD in English 21 Jun 96

[Report by Greg Roberts and Craig Skehan — received via Internet]

[FBIS Transcribed Text] Papua New Guinea (PNG) troops yesterday began a military assault against secessionist rebels on the island of Bougainville, PNG officials confirmed last night.

At the same time, a row broke out over Australian opposition to the attack.

The PNG defence minister, Mr. Mathias Ijape, said "Operation High Speed" had cutoff escape routes to the neighbouring Solomon Islands for guerrillas of the Bougainville Revolutionary Army (BRA), who have been fighting for independence since 1988.

Australia's High Commissioner to Port Moresby, Mr. David Irvine, was making arrangements last night to convey Australia's concerns to the PNG Government this morning.

The PNG Government is already offended by comments on Tuesday by the Australian foreign minister, Mr. Alexander Downer, expressing concern.

Papua New Guinea's prime minister, Sir Julius Chan, and his foreign affairs minister, Mr. Kilroy Genia, hit out yesterday at what they branded unwanted Australian interference.

Sources said the Australian Government was willing to give logistical support if peace talks could be arranged, possibly on Australian soil.

But in unusually strong language, Mr. Genia said Mr. Downer had ignored diplomatic channels by publicly criticising the impending PNG operation and that PNG was not "just an appendage" of Australia. Sir Julius said Mr. Downer should remember PNG was an independent nation and Australia should "manage its own affairs".

Mr. Genia expressed anger that Mr. Downer had aired his views through the media before contacting the PNG Government.

Mr. Downer continued to express concern yesterday, warning the offensive could worsen the seven-year conflict.

A spokesman for Downer, in response to the criticism, said: "Australia, as a friend and neighbour of PNG, is willing to speak frankly on a wide range of issues and does so on a continuing basis".

Mr. Downer reiterated in Parliament yesterday that the Australian Government believed only a negotiated settlement could result in a lasting peace on Bougainville.

**Papua New Guinea: Premier Rejects Bougainville Peace Initiative**

BK2106104796 (Internet) Australian Broadcasting Corporation Online WWW in English  
0740 GMT 21 Jun 96

[FBIS Transcribed Text] Papua New Guinea's Prime Minister, Sir Julius Chan, says a plan by the Solomon Islands to broker a peace plan between it and Bougainville rebel leaders, offers nothing new.

The Solomons has proposed Papua New Guinea withdraw its troops from Bougainville, and have them replaced by a Pacific Islands Peace Keeping Force.

But Sir Julius says he sees no merit in the plan.

**Solomon Islands**

**Solomon Islands: Suspected PNG Military Unit Threatening People**

BK2006060796 Hong Kong AFP in English  
0550 GMT 20 Jun 96

[FBIS Transcribed Text] Auckland, June 20 (AFP) — A group of eight or nine heavily-armed men believed to belong to the Papua New Guinea (PNG) Defence Forces are threatening people on the tourist island of Gizo in the Solomon Islands, a Solomon Government official said Thursday.

Several islanders have been held at gunpoint and in response the Solomons is sending in extra police and field force soldiers, government Information Officer Johnson Honimae said.

However, Honimae said it could also be a pro-Papua New Guinea (PNG) paramilitary group known as Spear, or separatist rebels from the civil war-torn island of Bougainville, which belongs to PNG.

Honimae said people had been held up on Monday night.

"At this stage, until we catch them, we cannot say who these people are," he said.

"But the way they are armed and dressed they can only be from some organisation that is very well funded."

Gizo is internationally known as a diving centre and also attracts large numbers of Americans. During World War II a patrol boat carrying a young John F. Kennedy was rammed and sunk by a Japanese destroyer nearby.

The island is nearly 200 kilometres (124 miles) from the Solomon's border with PNG and Bougainville.

The Papua New Guinea military has said it is about to launch a major offensive against the separatist Bougainville Revolutionary Army (BRA) in a bid to end the war.

Gizo is the main centre for Solomon's Western Province which shares the border with Bougainville and its hospital treats significant numbers of casualties from the civil war.

No approach has been made to PNG yet over the incident and Honimae said they would only do so once they had firm evidence of who was involved.

The state owned Solomon Islands Broadcasting Corporation (SIBC) quoted provincial police commander Aloysius Ora as saying as many as nine PNG soldiers had been seen in Gizo town.

He said the group had encountered members of the Solomons Prison and Police group and while no shots were fired he said the PNG soldiers were well armed.

SIBC reporter John Selwyn Tiaro who lives on Gizo said he was held up at gunpoint Monday and questioned by a man in full military uniform.

Tiaro said while he was interrogated by one of the soldiers about seven or eight others stood back in semi darkness, all in full military fatigues and bearing arms.

Gizo — which is also known as Ghizo — is 13 kilometres (eight miles) long and about five kilometres (three) wide, rising to a height of 180 metres (594 feet).

**Solomon Islands: Mamaloni Urges PNG To Abandon Bougainville Offensive**

BK2106071196 Melbourne Radio Australia in English 0500 GMT 21 Jun 96

[FBIS Transcribed Text] Solomon Islands has called on Papua New Guinea (PNG) to abandon its latest military operation against secessionist rebels on the PNG island of Bougainville. As Richard Dinno reports the Solomon's prime minister says PNG should give up the idea that there could be a military solution to the Bougainville situation.

[Begin Dinnon recording] Prime Minister Solomon Mamaloni calls on his PNG counterpart, Sir Julius Chan, to abandon the military offensive launched this week against the Bougainville Revolutionary Army [BRA] until it resumes negotiations with the rebels. PNG military operations have recently spilled over into Solomon Islands' Western Province and into Choiseul Islands.

Mr. Mamaloni says the new offensive will only affect innocent civilians. Mr. Mamaloni has suspended a scheduled sitting of parliament and has appointed a special envoy to handle what he calls the Bougainville Crisis. He repeated his government offer to broker negotiations between PNG and the rebels.

Meanwhile, Solomon Islands' surveillance of its common border with PNG has been strengthened with the number of new fast craft now patrolling the border. The director of the Solomon's National Surveillance Reconnaissance Unit, Michael Wheatley, would not reveal the number of new fiberglass canoes built locally for the field force. However, Mr. Wheatley confirmed the police and his units are taking seriously the reports of armed and uniformed PNG operatives in the Western Province capital, Gizo. [end recording]

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